Daily Report

Latin America

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CONTENTS

INTER-AMERICAN AFFAIRS

OAS Secretary General Opens Discussion on Cuban Issue *[Madrid EFE]* 1
Makes Appeal To Resolve Problem *[Madrid EFE]* 1
Urges Nations To Intensify Antidrug Efforts *[Madrid EFE]* 2
Views Ecuadoran, Peruvian Border Issue *[NOTIMEX]* 2

CARIBBEAN

Cuba

International Meeting on Guantanamo Base Illegality Opens *[Havana Radio]* 4
WASHINGTON POST Criticizes Proposed U.S. Migration Policy *[Havana Radio]* 4
Conference Begins on Illegality of Guantanamo Naval Base *[Havana Radio]* 4
Castro Invites Leader of Mexico's PAN To Visit Island *[PRENSA LATINA]* 4
Castro Praises TRABAJADORES on 25th Anniversary *[PRENSA LATINA]* 5
TRABAJADORES Urges Increase in Sugar Production *[PRENSA LATINA]* 5
Carlos Lage Addresses Havana Province Food Shortage *[Havana TV]* 5
Osmany Cienfuegos Holds News Conference on Tourism *[Havana Radio]* 6
Roundup of Politburo Members' Activities *[Havana Radio, etc.]* 6

Inter-Caribbean Affairs

Caricom Cites Poverty in Meeting Chaired by Christopher *[CANA]* 7

Haiti

CEP To Prevent Stolen Cards From Being Used in Elections *[Port-au-Prince Radio]* 8

MEXICO

Zedillo Rules Out 'Spectacular' Chiapas Talks Results *[NOTIMEX]* 9
EZLN Indians Agree To Reject Government Proposal *[NOTIMEX]* 9
PAN Gubernatorial Candidate Declared Winner in Guanajuato *[NOTIMEX]* 10
PRI Candidate Officially Declared Winner in Yucatan *[NOTIMEX]* 11
PRI Groups Protest Yucatan Election Results *[Mexico City TV]* 11
Social Security System Faces Reorganization Amid Crisis *[EL FINANCIERO 31 May]* 12

CENTRAL AMERICA

El Salvador

Calderon Swears In New Cabinet Members *[EL DIARIO DE HOY 2 Jun]* 14
Opposition Parties Reject Government's National Pact *[EL DIARIO DE HOY 1 Jun]* 14
Opposition Politics on Signing of National Pact *[EL DIARIO DE HOY 1 Jun]* 15
Finance Minister Discusses Plans for Economy *[LA PRENSA GRAFICA 5 Jun]* 15
Poll Rates President 4.96 on 10-Point Scale *[LA PRENSA GRAFICA 1 Jun]* 17

Guatemala

Vice President Affirms Bamaca Case Closed *[SIGLO VEINTIUNO 3 Jun]* 18

Nicaragua

Kidnappers Release Husband of Chilean Ambassador Soto *[ACAN]* 18
Minister Announces Future Changes in Compensation Payments *[LA PRENSA 4 Jun]* 19
Talks Reopen on Free Trade Agreement With Mexico *[Managua TV]* 19

Panama

Central American Parliament Endorses Economic Plan *[LA ESTRELLA DE PANAMA 3 Jun]* . 20

SOUTH AMERICA

Argentina

President Rejects Patents Law Approved by Congress *[NOTICIAS ARGENTINAS]* 21
Visiting Bolivian Minister Praises Argentine Economy *[TELAM]* 21
Cavallo, Chile's Garcia Discuss Trade Relationship *[Madrid EFE]* 21
Automobile Manufacturing Industry Stalled by Slow Sales *[AMBITO FINANCIERO 25 May]* 22

Bolivia

Foreign Minister: No Extension for Coca Eradication Deadline *[LOS TIEMPOS 20 May]* 23

Brazil

'Sabotage' at Ipen Plant Allegedly Caused Iodine Leak *[AGENCIA ESTADO]* 23
U.S. Bank Report Seen as Lesson for Brazilian Economists *[O ESTADO DE SAO PAULO 31 May]* 24
Oil Worker Federation Recommends End of Strike *[Rio de Janeiro TV]* 24
Cardoso Seeks Votes of Dissident Congressmen on Oil Vote *[O GLOBO 31 May]* 25
Entrepreneurs Fear Recession Under High Interest Rates *[FOLHA DE SAO PAULO 29 May]* 26
Analyst: Government's Economic Figures Too Pessimistic *[O GLOBO 31 May]* 27
Polls View Support for Official Anti-Inflation Policy *[JORNAL DO BRASIL 29 May]* 27
Banks Continue To Reap Gains in 1995 *[GAZETA MERCANTIL 22 May]* 28

Chile

Contreras Followers Threatening Release of Sarin Gas *[TELAM]* 29
Insulza Confirms Message to Frei From President Clinton *[Madrid EFE]* 30
Pinochet Rejects Clinton Message *[Madrid EFE]* 30
Embassy in Nicaragua Occupied, Ambassador's Husband Kidnapped *[Madrid EFE]* 31

Colombia

Samper Orders Investigation of Cali Bomb Explosion *[Madrid EFE]* 31
Cali Murders Possibly Drug-Related *[EL ESPECTADOR 16 May]* 31
Zuniga: Military Supports Peace Proposal *[EL TIEMPO 19 May]* 32
Popularity of Public Officials Gauged *[EL ESPECTADOR 16 May]* 32
Twenty-Seven in Military, DAS Charged With Torture *[EL ESPECTADOR 16 May]* 33
Businessmen Voice Concern About Economy *[SEMANA 23 May]* 34

Ecuador

Deputy Foreign Minister Cited on Border Peace Process *[Quito Radio]* 39
Finance Minister Calls Economic Measures Necessary *[Quito Radio]* 39

Paraguay

Wasmosy Comments on Financial Crisis, Banking Problems *[ABC COLOR 3 Jun]* 40
Senators Seek Resumption of Consular Relations With Cuba *[ULTIMA HORA 2 Jun]* 41

Peru

Top Shining Path Leaders Reportedly Detained *[Madrid EFE]* 42
Shining Path Said Returning to Guerrilla War Strategy *[EL COMERCIO 14 May]* 42
Editorial Hails Government's Economic, Growth Strategy *[EL PERUANO 21 May]* 43
Military's Right To Arm Peasants Questioned *[IDEELE Apr]* 43
Political Violence Statistics for Mar 1995 *[REPORTE ESPECIAL/DESCO Mar]* 45
Expert on Shining Path's 'Worrisome Reactivation' *[LA REPUBLICA 9 May]* 46
Small Businesses' Formation Into Consortiums Reported *[DESCO 18 May]* 47
Government's Civil Rights Approach Criticized *[DESCO 18 May]* 47
Fujimori's Governing Style Criticized *[DESCO 18 May]* 48
Parties Regrouping After Election Defeat *[DESCO 18 May]* 49
Municipal Elections Set for 12 Nov *[DESCO 18 May]* 50

Venezuela

BCV Rates at Odds With Economic Indicators *[REPORTE DIARIO DE LA ECONOMIA 2 Jun]* 50
Deputies Refuse To Approve Treasury Bonds *[EL UNIVERSAL 31 May]* 51
Report Examines Banks' Liquidity Indexes *[REPORTE DIARIO DE LA ECONOMIA 2 Jun]* . 53
Roundup of Venezuelan Economic Developments *[REPORTE DE LA ECONOMIA 30 May]* . 55

OAS Secretary General Opens Discussion on Cuban Issue

PA0506194795 Madrid EFE in Spanish 1639 GMT 5 Jun 95

[FBIS Translated Text] Port-au-Prince, 5 Jun (EFE) — OAS Secretary General today said, "Cuba deserves an opportunity from the inter-American community." Gaviria made it clear, however, that such an opportunity can come only in response to reforms aimed at building democracy and a free market.

Gaviria dedicated a significant portion of his 17-page opening speech at the 25th OAS General Assembly — a meeting taking place this week in Port-au-Prince — to the issue of Cuba. This is the first time the Cuban issue has been brought up for discussion by the OAS General Assembly since 1964.

Gaviria continued, "We cannot address the issues of democracy and human rights without including our reflections on Cuba." Gaviria is presiding over the first General Assembly of his five-year tenure as secretary general.

U.S. Secretary of State Warren Christopher, during his brief six-hour stay in Port-au-Prince, said the inter-American organization is hoping that a democratic Cuba can participate in the next Summit of the Americas.

Diplomatic sources told EFE today that several foreign ministers will propose specific actions in relation to the Cuba issue during the week when they address the plenary session. Such is the case of several Caribbean nations, which are suggesting the creation of a special commission to promote an atmosphere conducive to Cuba's readmission into the OAS.

Gaviria mentioned "the long list of recriminations" used during the Cold War, but he added that history "has turned these arguments, which, for decades, have kindled antagonism, into museum pieces."

When he served as president of Colombia, Gaviria was one of the main promoters of closer ties between the Group of Three (Colombia, Mexico, and Venezuela) and Cuba. This took place at a time when virtually everyone else had turned their back on Havana.

The OAS secretary general stressed, "I am quite sure that we, the people who live in a hemisphere deservedly proud of its democratic will and its humanitarian commitment, cannot stand idle and remain a silent witness of an unacceptable situation."

Gaviria also made it clear that "these considerations are not intended to supplant a decision that is the sole responsibility of the OAS member-states."

The Marxist-Leninist government of Cuba was expelled from the inter-American organization in 1964, after Venezuela accused Cuban leader Fidel Castro of backing guerrilla activities and interfering in Venezuela's internal affairs. The decision was made in a special meeting of OAS foreign ministers, and they are the only ones who can overturn it. Furthermore, the restriction can only be rescinded if Castro decides to turn away from Marxism-Leninism, which, according to the Inter-American body, runs counter to the region's legal organization.

Gaviria said, "Undoubtedly, resolving this issue is of great importance within the hemisphere," but he added that many details are bilateral (U.S.-Cuban) in nature. Given the importance of the issue, the inter-American community as a whole must "assume the responsibility of making a multilateral decision."

"The ongoing debate about Cuba's present and future has been monopolized by the most extreme positions," Gaviria said, adding, "for many years there was an explanation, but the arguments have since lost their rationality and logic."

He added, "The all-or-nothing policy has led us nowhere all these years."

Gaviria advocated the initiation of "a process that would imply greater economic freedom and progress toward a pluralist system with political freedom and respect for human rights."

In concluding his thoughts and leaving the issue open for debate, Gaviria questioned whether it was not time for the inter-American community to play a more active role in the matter. He asked for "a permanent end" to the rivalry among sister nations.

Makes Appeal To Resolve Problem

PA0606020895 Madrid EFE in Spanish 2302 GMT 5 Jun 95

[By Elias Garcia]

[FBIS Translated Text] Mantrius (Haiti), 5 Jun (EFE) — In an unprecedented action in the Organization of American States (OAS), the OAS secretary general, Colombian Cesar Gaviria, made an energetic appeal to solve the Cuban problem.

"Cuba deserves an opportunity from the inter-American community," Gaviria said during his inaugural speech at the 25th OAS General Assembly.

Gaviria, who became OAS secretary general in September, after being president of Colombia for the four previous years, also asked "if the time had not come to

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reinitiate Cuba's reinsertion into the inter-American system."

"It is not possible to refer to the issues of democracy and human rights without including Cuba in our thoughts," Gaviria said.

Cuba has been a member of the OAS since its founding in 1948, but its permanence in the organization was suspended in 1964 because of the Marxist nature of its government, which was declared incompatible with the inter—American system.

Gaviria's words were a real surprise, because nothing hinted the Cuban issue would emerge during the 25th Assembly, much less so forcibly.

In a number of interviews a few days preceding the meeting, Gaviria avoided speaking about Cuba, responding vaguely to numerous questions he was asked.

During his four years (1990-94) as president of Colombia, Gaviria was an active mediator for Fidel Castro, even though diplomatic relations between the two countries had been broken because of Cuban support of the Colombian guerrilla forces.

Not only did Gaviria receive Castro on numerous occasions but also renewed trade relations between the two countries, and in 1993 he renewed full diplomatic relations, which had been broken in 1979.

During Gaviria's years as president of Colombia, the G-3 [Group of Three], Colombia, Mexico, and Venezuela, became virtually the only forum for Latin American contact with a Cuba asphyxiated by the blockade imposed by the U.S. Government, an embargo whose end was covertly requested by Gaviria, who affirmed during his speech that "the policy of all or nothing has led us nowhere during these years."

Regarding the Cold War years, Gaviria said: "We have inherited the human tragedy of a Cuban people trapped in stubborn mutual hatred."

"I am convinced a hemisphere that boasts, with reason and pride, its democratic vocation and humanitarian commitment cannot be a silent witness to an unacceptable situation," Gaviria stressed.

Gaviria asked for urgent changes in regards to Cuba, and although he recognized that some of them are already in motion, "their rate of change is not the rate we all desire."

Nevertheless, it is clear that Cuba is advancing, for example, toward an open economy. "I am certain the consolidation of that opening will give Cuba more room, and a new stage in the relationships between the hemisphere and Cuba would be possible by adding a needed political opening for the reconciliation of the Cuban nation," Gaviria said.

Gaviria's unexpected allusions to Cuba filled two out of a total of 12 pages of the transcript of his speech; that is, more than 10 percent of his time.

Urges Nations To Intensify Antidrug Efforts

PA0506192895 Madrid EFE in Spanish 1814 GMT 5 Jun 95

[FBIS Translated Text] Montrouis (Haiti), 5 Jun (EFE) — OAS Secretary General Cesar Gaviria, of Colombia, today noted that cooperation in the fight against drug trafficking has declined, and he called on consumer nations to intensify their efforts to eradicate the illegal drug trade.

In his speech at the opening of the 25th OAS General Assembly, Gaviria said, "What has happened recently in the fight against drug trafficking seems to be a return to the days in which the simple mention of this issue divided nations in a Manichaean manner and placed unfair and disproportional burdens on nations — burdens which should have been shared by all."

He added: "Today we have lost a certain amount of cooperation that existed in the past. It is necessary to resume high-level multilateral talks to discuss efforts needed to combat drugs."

The former Colombian president said: "Even though the so-called producer nations could and should do more in the war against drugs, there is no doubt that consumer nations must step up their efforts in the fight against consumption."

Gaviria said cooperation must focus on legislation, security services, the fight against money laundering, the fight against the contraband of precursor chemicals and weapons, and crop substitution policies.

Meanwhile, a source from an Andean nation told EFE that the lack of a proper review or concurrence could prevent the approval this week of a joint strategy to fight the production, trafficking, and consumption of drugs. The United States is hoping to see the OAS session reach such an agreement.

Views Ecuadoran, Peruvian Border Issue

PA0606024895 Mexico City NOTIMEX in Spanish 0119 GMT 6 Jun 95

[FBIS Translated Text] Port-au-Prince, 5 Jun (NOTIMEX) — The OAS is willing to contribute to finding a definite solution to the border differences between Peru and Ecuador, the situation which led them to an armed confrontation at the beginning of the year.

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This Monday, OAS Secretary General Cesar Gaviria mentioned the undeclared war between the two Andean countries. This war took place in the Condor mountain range from 26 January-28 February in an area that still has not been demarcated between those two countries. The former Colombian president said he is willing to make the necessary efforts "to contribute to a definite solution" to the border difficulties between those two South American countries.

Gaviria is participating in the 25th OAS General Assembly being held in this Caribbean nation and attended by diplomatic representatives and ambassadors from 34 nations of the American continent.

"Unfortunately, the climate of trust and peaceful solutions to conflicts experienced in the past years has been negatively affected by the recent armed clashes between Ecuador and Peru," Gaviria said in his inaugural speech. "So as to contribute to a definite solution, based on international law, the OAS will continue to place all its energy at the disposal of the relevant parties and the guarantor countries of the Rio treaty," he said.

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Cuba

International Meeting on Guantanamo Base Illegality Opens

FL0506143895 Havana Radio Progreso Network in Spanish 1100 GMT 5 Jun 95

[From the "First Thing" program]

[FBIS Translated Text] Lawyers and academics from several nations in the Caribbean, Latin American, Asia, and Africa will meet today in Guantanamo Province to participate in the first Scientific International Conference on the Illegality of the U.S. Naval Base, established at the beginning of the century in Guantanamo.

Over 250 Cuban and foreign specialists will participate in the conference which will end on 8 June.

WASHINGTON POST Criticizes Proposed U.S. Migration Policy

FL0506203395 Havana Radio Rebelde Network in Spanish 1700 GMT 5 Jun 95

[From the "National Radio News"]

[FBIS Translated Text] The U.S. migration policy could go through significant changes if Congress approves the recommendations of a commission created for that purpose. If those initiatives were to be approved, the number of legal immigrants could be reduced by one-third, giving visa priority to the spouse, and children under 21 years of age, of a legal immigrant. The commission also calls for the elimination of preferences to brothers and sisters and other close relatives of the legal immigrants established in the United States. Another proposed step is the reduction of bureaucratic processes for the granting of visas to immediate relatives of those who are already U.S. citizens.

Today's WASHINGTON POST criticized the possible change in policy, describing it as a mistake. If the recommendations were to be approved, it would mean the biggest change in migration policy in the past 40 years.

Conference Begins on Illegality of Guantanamo Naval Base

FL0506220795 Havana Radio Rebelde Network in Spanish 1700 GMT 5 Jun 95

[From the "National Radio News"]

[FBIS Translated Text] The first conference on the illegality of the Guantanamo Naval Base began today in that city on the eastern tip of Cuba, with the participation of many national and foreign guests. Our correspondent Jose Mejia has more details:

[Mejias] The Guantanamo case is questionable as to international rights for the following reasons: Cuba is not obliged to adhere to a political decision imposed against its will by the United States in 1903 under military force without judicial capacity for such commitments or treaties; the treaty for naval bases and coal mines [carboneras] is contradictory to the principle of peaceful coexistence which was manifested through the Bay of Pigs invasion, the October Crisis of 1961; the permanent harassment reflected in counterrevolutionary excursions; and the imposition of extraterritorial laws of economic, financial, and trade blockades by the same United States.

The United Nations and the Nonaligned Movement have both expressed favor for the return of the Guantanamo Naval Base. There are resolutions in existence that prohibit the formation of and demand the dismantling of existing bases because they are an attempt against the sovereignty of international peoples.

The Vienna Convention of 1979, in its fourth article, demands that the past treaties be conditioned on present international rights, something the United States violates in the case of Guantanamo.

Castro Invites Leader of Mexico's PAN To Visit Island

PA0606042495 Havana PRENSA LATINA in Spanish 0137 GMT 6 Jun 95

[FBIS Translated Text] Havana, 5 Jun (PL) — It was confirmed here today that Cuban President Fidel Castro has invited Carlos Castilo Peraza, leader of Mexico's National Action Party (PAN), to visit the island in the near future.

Sources from the Communist Party of Cuba told PRENSA LATINA that Fidel Castro included the invitation in a reply he sent Castillo Peraza to the latter's request delivered by a delegation of 19 PAN senators who visited Cuba in April.

In the letter, the Cuban president voiced his appreciation for the expressions of friendship and solidarity with the people of the island and for "understanding the serious difficulties the Cubans are facing, primarily as a result of the blockade imposed on us by our common northern neighbor."

Fidel Castro then recalled the fraternal and historical ties of friendship linking Mexico and Cuba and said if the island's independence hero Jose Marti "had not been a Cuban, he would have been a Mexican."

Considered Mexico's second political force, PAN holds the governorship of four of the 31 states in Mexico.

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Castro Praises TRABAJADORES on 25th Anniversary

PA0506191395 Havana PRENSA LATINA in Spanish 1344 GMT 5 Jun 95

[FBIS Translated Text] Havana, 5 Jun (PL) — Cuban President Fidel Castro has sent a message congratulating TRABAJADORES weekly, the mouthpiece of the island's workers union, on the occasion of its 25th anniversary.

In the message, which was published on the newspaper's front page, the Cuban president points out that, as a regular reader, he keeps abreast through its pages of "the main activities and efforts undertaken by the Cuban union movement, which you not only recount, but which you also organize in a systematic and sound manner."

I also carefully tend to follow — Castro points out — your tremendous contribution to the foremost efforts of working strenuously and efficiently for the economy, "which is the only way to overcome all of the stumbling blocks, to follow through on our unending mission of developing the country, and to cultivate the accomplishments of our socialist reality."

Among these accomplishments, Castro mentioned basic values such as patriotism and solidarity, which over the years "the revolution has carved into the hearts and minds of all Cubans as some of its most precious achievements."

Whatever you may do in this respect — Castro concludes — is rewarded by our people's acknowledgments; "moreover, I know you will receive the greatest satisfaction of all once this difficult and traumatic phase has been overcome, when we fulfill the just and patriotic principles of sovereignty and well-being — principles of which you are the standard bearer."

TRABAJADORES Urges Increase in Sugar Production

PA0506191095 Havana PRENSA LATINA in Spanish 1243 GMT 5 Jun 95

[FBIS Translated Text] Havana, 5 Jun (PL) — The Cuban Workers Federation (CTC) today urged workers to produce in the next sugarcane harvest (1995-96) enough sugar to pay the debt contracted by the country and to meet foreign commitments.

An editorial of the newspaper TRABAJADORES, mouthpiece of the CTC, indicated that for the first time since the critical phase of the so-called special period began, essential resources will be available for sugarcane agriculture and, "along with discipline, order, and resolve," these resources will enable the sector to halt the slump in production in the last three years.

The sector is one of those damaged by the loss of Cuba's main trade partners: the Soviet Union and the other nations which formed the European socialist camp.

Since the 1991-92 harvest, TRABAJADORES stressed, the resources committed to the functioning of agriculture and industry have decreased approximately sixfold, while sugarcane production has declined nearly 50 percent.

Whereas approximately $900 million were invested in the past to obtain 8 million tons of the product, the country only had $150 million to invest in the recently concluded harvest.

In light of this situation, it explained, the path of foreign financing was available and when the opportunity to increase it arose, Cuba decided to accept loans that guarantee greater resources for the 1995-96 harvest.

TRABAJADORES stated that this financing was accepted "with very rigid payment terms and with a high interest rate because no other path was visualized to achieve the recovery of the sugar sector in the short term."

Indicating that with these funds the sector received larger quantities of supplies to combat weeds and blights affecting sugarcane, the weekly urged workers to produce sufficient sugar to pay the debt and meet foreign commitments.

It also called for maintaining rigorous technical and financial standards in the use of these resources, including economizing them and using them solely to improve the plantations.

The article concluded with an appeal to the sugar workers and all Cuban workers to "work unfalteringly in the sugarcane fields and to sacrifice, crowning with success the efforts towards the salvation of the fatherland."

Carlos Lage Addresses Havana Province Food Shortage

FL0606013895 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 6 Jun 95

[From the "NTV" newscast]

[FBIS Translated Text] The commission presided over by the Politburo of the Communist Party of Cuba [PCC] visited the 19 municipalities of Havana Province. In those municipalities they visited 93 people's councils and 978 party organizations and held meetings with more than 29,000 people. Furthermore, the commission visited prioritized centers such as industrial, educational, medical, and service centers.

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Havana has the mission, aside from producing food for its own population, of supplying food to the capital. The production of vegetables and tubers grew in the last quarter by more than 20 percent. Nevertheless, that amount is still not enough. Even though the province had an excellent potato harvest, they still have not been able to achieve stability in crop rotation to achieve variety and permanence of products on the market. Regarding this, Carlos Lage pointed out:

[Begin Lage recording] I believe we should look at the unsolved problems, which continue to gain weight in the balance. Problems with goals and needs, or rather, the lack of balance between plans and needs is an unsolved problem. In other words, a goal, which we can achieve or overachieve, has nothing to do with what is really needed, either in volume or distribution. I believe this is a problem that needs to be solved. We must have a concept of what is needed to solve Havana's and Havana City's food problems. [end recording]

The weeding efforts continue to progress. Nevertheless, there are delays in the spring planting campaign, which must be recovered, taking advantage of the recent rain — all of this with the aim of increasing sugar production next year.

The province's results in the livestock sector, which has been declining, was amply debated at the meeting. The decline was attributed to a high mortality rate, a reduction in the birth rate, organizational problems at the dairy farms, and a lack of imported feed, among other factors. Agriculture Minister Alfredo Jordan stated that the most acute problem in agricultural livestock production is the livestock sector, in which Havana Province is trailing behind.

Division General Ulises Rosales del Toro stated that the work done so far is not enough. He went on to say that we cannot content ourselves with these results. Rosales noted that by overcoming several of the subjective problems identified, Havana could increase its production in this sector.

The people of Havana Province told the commission about specific irregularities in the services, especially in the production of bread and water service. As far as education and health care are concerned, there were no negative comments, with the exception of certain isolated problems.

Osmany Cienfuegos Holds News Conference on Tourism

FL0206142595 Havana Radio Rebelde Network in Spanish 0900 GMT 2 Jun 95

[From the "Doing Radio" program]

[FBIS Translated Text] During a news conference in Havana, Tourism Minister Osmany Cienfuegos stated that Cuba is aiming for quantitative and qualitative development of its tourism industry. Cienfuegos answered more than 20 questions from a large representation of reporters accredited to the annual tourism convention which will come to an end today at the Havana Convention Center. Questioned on the type of tourism that Cuba would like to develop, Cienfuegos stated that the option chosen is geared toward offering a quality tourism industry, backed by the construction of new hotels and the recovery and remodeling of existing ones. It was also announced that the Tourism Ministries of Spain and Cuba have signed a cooperation agreement, reflecting the sector's significance to the countries' mutual economy.

Roundup of Politburo Members' Activities

FL0606130995

[FBIS Editorial Report] The following is a compilation of reports on the activities of members of the Politburo of the Cuban Communist Party Central Committee monitored through 6 June 95.

Pedro Ross Leal, member of the Politburo and secretary general of the Cuban Workers Federation (CTC), has granted the bi-millionaire award banner to the first brigade of macheteros to cut two million sugarcane arrobas during the current harvest in Ciego de Avila. Ross also chaired a meeting with union leaders to discuss preparations for the 17th CTC congress. (Havana Radio Rebelde Network in Spanish 1700 GMT 29 May 95)

Pedro Ross Leal has participated in a Cuban Workers Federation's meeting in Holguin, where he stressed the unions' role in the battle to increase efficiency, save the Revolution's achievements, and look for alternative employment sources. (Havana Radio Rebelde Network in Spanish 1700 GMT 29 May 95)

Yadira Garcia presented awards to outstanding agricultural units in Matanzas Province. (Havana Radio Reloj Network in Spanish 1930 GMT 29 May 95)

Osmany Cienfuegos has attended the inauguration of the Cuba-95 tourism conference in Havana City's Convention Center. (Havana Radio Reloj Network in Spanish 1952 GMT 30 May 95)

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Candido Palmero has attended a meeting marking Havana Province's potato harvest campaign's completion. During the meeting, Palmero called for increased efforts in the Spring planting campaign and stressed the need to apply dedication and revolutionary honor to all efforts in this area. (Havana Radio Rebelde Network in Spanish 2300 GMT 1 Jun 95)

Carlos Lage toured Villa Clara province, meeting organic farm workers from Las Marianas brigade and a textile factory. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 2 Jun 95)

Maria de los Angeles Garcia presided over a meeting evaluating the application of measures taken to eliminate inefficiency in the education sector in the Isle of Youth which resulted from a Politburo commission visit last February. Quality teaching methods, political ideology efforts involving professors and students, production tasks, self sufficiency, and resource management were stressed. (Havana Radio Rebelde Network in Spanish 1700 GMT 2 June 95)

Carlos Lage presided over the closing ceremony of the Cuba-95 tourism convention at Havana City's Convention Center on 2 June. (Havana Radio Rebelde Network in Spanish 2300 GMT 2 Jun 95)

Ricardo Alarcon, president of the National Assembly of the People's Government and member of the Politburo, participated in a hearing of Cuban scientists in the Capitol, headquarters of the Ministry of Science, Technology and Environment, who discussed the Helms-Burton bill. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 3 June 95)

Alfredo Jordan Morales, Minister of Agriculture and member of the Politburo, participated in a potato plenum in Ciego de Avila, where participants discussed potato harvests results during the first months in 1995. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 05 June 95)

Julian Rizo Alvarez, member of the Politburo and first secretary of the Party in Camaguey, participated in the 9th Provincial Party plenum. Participants met during two days to discuss sugarcane recovery, current harvest results, and problems in food production, cattle raising, and health sectors, among others. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 05 June 95)

Jose Ramon Balaguer, member of the Politburo, participated in a meeting in Granma to discuss the Turquino-Manati plan, where participants decided to organize brigades to collect the coffee beans that fall to the ground, to avoid the annual loss of one fifth of the harvest due to this problem. (Havana Radio Rebelde Network in Spanish 1155 GMT 5 June 95)

Jose Ramon Balaguer emphasized in Bayamo Municipality, Granma that the main responsibility of the Committees for the Defense of the Revolution is to help neighbors resolve their problems through the cooperative efforts of members of the community. (Havana Radio Rebelde Network in Spanish 1155 GMT 6 June 95)

Inter-Caribbean Affairs

Caricom Cites Poverty in Meeting Chaired by Christopher

FL0506182595 Bridgetown CANA in English 1711 GMT 5 June 95

[FBIS Transcribed Text] Montrouis, Haiti, June 5, CANA — Caribbean Community (Caricom) member states Sunday argued strongly for the establishment of a regional development fund to help the region take practical steps towards its full involvement in a Free Trade Area of the Americas.

The Caricom case was advanced during a meeting of foreign ministers of the hemisphere, chaired by U.S. Secretary of State Warren Christopher, which reviewed follow up action taken since last December's Summit of the Americas in Miami.

Belize's Deputy Prime Minister and Minister of Foreign Affairs, Dean Barrow, speaking on behalf of Caricom, said the objectives of the fund are to facilitate building of the infrastructural and productive base, including the human resource capacity so as to increase production, productivity, and exports within the free trade area.

Barrow stressed that the proposed fund will also help "promote and accelerate the overall development, structural transformation and diversification of the economies of the less developed countries of the Western Hemisphere, in order to create a basis for their meaningful participation in the economic integration and trade liberalisation in the hemisphere".

He added that the fund will "provide support to the private sectors in the less developed countries" as well as provide foreign exchange for the importation of capital goods. Noting that poverty in the hemisphere cannot be eradicated unless there is joint action to spread investment, develop new entrepreneurs especially among youth and females and strengthen the productive infrastructure, Barrow also called for the speedy establishment of a centre for small business and financing and development.

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Caricom has proposed that this centre be set up in Trinidad and Tobago to serve the hemisphere.

Barrow told the meeting the Caricom proposals represent "the manner in which we should begin the empowerment of our people" so as to remove "much of the underlying bases of discrimination, alienation and despair".

Earlier, Secretary of State Warren Christopher told the meeting that it is the U.S. view that "initiatives to eradicate poverty and foster sustainable development are making encouraging progress".

Christopher also pointed to progress made in strengthening democracy and to attack the threats it faces from corruption, drug trafficking and terrorism.

He praised the role of the Organisation of American States, the Inter-American Development Bank and the Pan American Health Organization in implementing a range of projects and programmes designed to help improve the quality of life of the people of the hemisphere.

Barbados' Deputy Prime Minister, Billie Miller, St. Lucia's Deputy Prime Minister George Mallet, Bahamas' Foreign Minister, Guyana's Foreign Minister Clement Rohee, Jamaica's Vice Foreign Minister, Ben Clare, were among the ministers who attended the meeting.

The meeting was held at the Club Med Resort here, 90 miles outside of the capital, Port-au-Prince.

Haiti

CEP To Prevent Stolen Cards From Being Used in Elections

PA0206170395 Port-au-Prince Signal FM Radio in French 1030 GMT 2 Jun 95

[Report by Kenol Dorvil from "The Waking Up Newscast" — in Creole]

[FBIS Translated Excerpt] No matter what, the elections will be held on 25 June. This statement was made at a news conference on Thursday, 1 June, by CEP [Provisional Electoral Council] President Anselme Remy, who noted that preparations are being made for the printing of ballot sheets in California under the supervision of a CEP member.

The CEP president said he is aware of problems encountered at the Registration and Polling Stations [BIV's], and he admitted that something went wrong with 1 million electoral cards. In turn, the CEP president said he has ordered additional cards and the opening of an investigation to count the registration cards to ensure that stolen cards will not be used in the upcoming elections. He also said steps will be taken to make sure the perpetrators are turned over to the Justice Department.

[Begin Remy recording] On 25 June, we will have elections no matter... [pauses] despite what people say, despite... [pauses] I believe that those people who do not want the elections to come about will be very disappointed. The elections will be held, and, contrary to what people say, they will not be rigged.

We have asked each office, each Departmental Electoral Office [BED], to give us a detailed account of the registration cards. Those of us at the head office know how many cards we sent to each department. We have the serial numbers of those cards that went to each department. Now, we have asked the BED's to let us know how many cards they distributed to the BIV's and to give us their serial numbers. So far, we have identified nearly 60,000 cards in Plateau Central. These are blank. [words indistinct] [end recording]

At the news conference, Mr. Anselme Remy also announced a meeting between the CEP and representatives of the political parties for the signing of an agreement that will govern the conduct of the political parties. A second agreement to be signed concerns the formation of units to monitor the electoral process.

[Begin Remy recording, in progress] ...meeting with the political parties. We are asking... [pauses] we invite the political parties to sign two protocols on which we have already agreed. The first is a protocol regarding a code of ethics that will govern the conduct of the political parties among themselves. We will also are asking them to sign a second protocol on the formation of what we are calling a monitoring and electoral control unit. [end recording]

Concerning those parties or political groups whose candidates do not appear on the list of approved candidates, the CEP president explained that many of these parties failed to meet standards established in the Electoral Law and the 1987 Constitution. Mr. Remy explained that in reviewing many of the files, Article 291 [banning zealous supporters of the Duvalier regime from competing for elected posts until 1996] was implemented. [end recording] [passage omitted]

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Zedillo Rules Out 'Spectacular' Chiapas Talks Results

PA0506235895 Mexico City NOTIMEX in Spanish 2018 GMT 5 Jun 95

[FBIS Translated Text] Mexico City, 5 Jun (NOTIMEX) — Mexican President Ernesto Zedillo today ruled out "spectacular" results from the negotiations for peace in southeastern Chiapas State, adding his government works in favor of an everlasting and definite solution.

The president said: "We must not expect swift or spectacular results (in Chiapas). Instead, we must build mutual confidence little by little, to establish the conditions for an everlasting solution."

President Zedillo said "no spectacular results are expected" in the upcoming 7 June meeting between the government and the Zapatist National Liberation Army (EZLN) at the community of San Andres Larrainzar, Chiapas.

"I do not seek a spectacular announcement, a spectacular report, or an extraordinary image-improving coup in this negotiation; what I seek is a long-term solution to fulfill my responsibility as a president," he emphasized.

In an interview with the radio newscast "For Starters," Zedillo commented that one must be patient, careful, and firm regarding the conflict in Chiapas, but one must also be understanding regarding the other party.

He said: "Mexicans had the political ability to give a civilized solution, even of creating a legal framework," to the conflict in Chiapas, which is unprecedented compared with other countries."

The government and the EZLN began a round of negotiations on 22 April to seek a political solution to the conflict, following the armed group's rebellion in January 1994 seeking redress for the Indians.

In two meetings before the upcoming reunion, the parties analyzed the armed detente as a first point, and they will later discuss the causes which provoked the conflict.

The negotiation process between the government and the EZLN gained momentum following President Zedillo's inauguration in December. He sponsored a bill in Congress to establish the legal framework for these negotiatons.

Zedillo recognized he is convinced that, despite the critical and complex problem, much progress has been achieved in recent months without bloodshed.

According to the president, "there is now a political option, an option within the framework of the law to solve those problems — which are basically, essentially legitimate because no one can deny the injustice, poverty, unequality, (and) backwardness."

Referring to the internal political situation, the president emphasized Mexico has achieved progress and will continue to do so, until it attains a full democracy where electoral processes do not result in ill-will, much less violence.

The president believes "this democratic normalcy" must be reached within a clear framework, in which participants consider the rules fair, pledge to abide by these rules, and accept the electoral processes' results.

He said the acceptance of democracy as a form of life, with all its consequences, is a matter of political culture.

EZLN Indians Agree To Reject Government Proposal

PA0606045295 Mexico City NOTIMEX in Spanish 0334 GMT 6 Jun 95

[FBIS Translated Text] Lacandona Jungle, 5 Jun (NOTIMEX) — The armed group operating in the Mexican State of Chiapas has concluded "consultations with its Indian rank and file, which demanded the withdrawal of the Mexican Army from the conflict area and the resumption of the peace dialogue," one of the leaders of the Zapatist National Liberation Army (EZLN) told reporters this Monday. [Words indistinct] the rank and file agreed to reject the government proposal entirely.

He said they demanded that the Army pull out of the conflict zone and that the peace dialogue be continued with the Mexican Government, which is scheduled to be held in San Andres Larrainzar this coming 7 June.

This would be the third meeting between the parties in search of a peaceful solution to the conflict, which was sparked on 1 January 1994 when several mayor's offices were forcefully occupied to demand attention to the Indians' problems.

On 22 April, the parties resumed a dialogue that was interrupted in early March of last year. They met again on 12 and 13 May and achieved a minimum agreement on detente measures in the region.

The EZLN rank and file also agreed to ask the official negotiation commission to analyze the proposals and initiatives stemming from the dialogue, in view of the transportation difficulties and remoteness of the communities.

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At the meetings with inhabitants of various ethnic groups of the southeastern region of the state that ended on 4 June, it was also agreed to reiterate requests social in nature to benefit Indians and peasants, the originators of the conflict.

At the "People's Assemblies" held in various ejidos, the government's initiative to relocate part of the EZLN forces in one of the seven routes suggested in the regions of Los Altos, Meseta Comiteca, and Lacandona Jungle was studied.

"Commander Tacho" also said "the government proposal is not rejected in its entirety, but it is not accepted either."

"The comrades say the (government representatives') proposal has a good part, but it also had a bad part we must discuss at the negotiations table," he added.

"The EZLN delegation will continue the dialogue. That is the order from our people: to continue seeking the ways so our demands are met," he said, stating "we will not surrender; the struggle will continue."

He believes the dialogue will conclude as soon as progress is achieved in the meetings, but it will not last "many years. We believe this will not take years. The important thing is to do it right so demands are met. A year is not much for us," he added.

When the residents of Agua Azul spoke, represented by "Eligio" and "Gabriela," whose faces were covered with neckerchiefs, they said the federal Army's close presence makes daily activities difficult.

"Eligio," the Tojolabal community representative, said: "Walking along a road or highway is not the same as skirting the military garrisons" when we travel from one town to another.

He said the time allowed for community consultations must be extended, because it takes several days to take the government proposal to the towns supporting the EZLN, where it is first submitted to the Clandestine Indian Revolutionary Committee General Command.

It is later taken to the regional and local committees, which, in turn, transmit the information to the people. "The government does not want to believe we need more time, but we will demand it in the talks," he said.

PAN Gubernatorial Candidate Declared Winner in Guanajuato

PA0506035395 Mexico City NOTIMEX in Spanish 0039 GMT 4 Jun 95

[FBIS Translated Text] Guanajuato, 4 Jun (NOTIMEX) — Vicente Fox Quesada, governor-elect of Guanajuato State in central Mexico, today reiterated his campaign promises following official confirmation of his victory by local electoral authorities.

Fox Quesada, a member of the conservative National Action Party (PAN), today received confirmation of his victory from the Guanajuato State Electoral Institute (IEEG), which accredits him as governor of the state for the 1995-2000 term with 58.1 percent of the vote.

With Fox Quesada's victory in the special gubernatorial elections in Guanajuato on 28 May, the PAN obtained its fourth state mandate, having won governorships in Baja California, Chihuahua, and Jalisco.

The PAN's closest adversary was the Institutional Revolutionary Party (PRI, ruling party nationwide) with 32.9 percent of the votes, while the Party of the Democratic Revolution (PRD) garnered seven percent.

Interviewed at the end of the IEEG session, Fox Quesada said that his victory on 28 May does not represent a personal victory but a pledge to form a great alliance to make all of his campaign promises come true.

The governor-elect underscored that he will head a "government of total and absolute dedication so that Guanajuato can be a state of law, justice, and progress," and he thanked his adversaries for what he described as a high-minded race.

The conservative politician invited citizens who did not exercise their right to vote to form "a great alliance to work and build the Guanajuato that we have all dreamed of."

Fox Quesada said that it is very important to include children in political activities, and he announced that he will seek a universal proposal "that will include all of society's points of view."

Fox Quesada announced that he will try to "form a professional work team to make his campaign proposals come true"; he said the team will be disclosed within 15 days and will "reflect pluralism and spearhead social participation."

Upon receiving confirmation of the majority vote that accredits him as governor-elect of Guanajuato, Fox Quesada suggested the formation of a constructive government in which all society will participate, and he acknowledged the work done by the IEEG.

At the event, Fox Quesada thanked all of the people of Guanajuato "who every step of the way rose to the occasion as the times demanded," and he promised to work intensely to establish the state's greatness.

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Meanwhile, IEEG President Hugo Villalobos Gonzalez explained that 1,283,071 votes were cast in the elections, which represents 99 percent of the electorate.

PRI Candidate Officially Declared Winner in Yucatan

PA0506021295 Mexico City NOTIMEX in Spanish 2220 GMT 4 Jun 95

[FBIS Translated Text] Merida, 4 Jun (NOTIMEX) — Electoral authorities from the Mexican state of Yucatan today officially declared Victor Cervera Pacheco, gubernatorial candidate of the ruling Institutional Revolutionary Party (PRI), as governor-elect for the 1995-2001 period.

The candidate of the ruling party today received from the State Electoral Council (CEE) the proof of having attained a majority of votes, 251,497 vis-a-vis 229,037 attained by his closest rival, Luis Correa Mean, who was the candidate of the National Action Party (PAN).

"It is a great pleasure that a decision was captured in the votes of the Yucatan people to govern this state for the next six years," Cervera stated, in light of the official results of the 28 May gubernatorial elections in this eastern Mexican state.

"The proof I am receiving today is a guarantee that I will take power on 1 August, and that guarantee began the moment the elections were held and the Yucatan people gave their opinion at the ballot," he affirmed.

"In Yucatan, citizens prepared a very advanced code, all organizations turned civic, and the votes were cast freely, which let us confirm that there are full guarantees that the results will be respected," Cervera maintained.

As for the victories the opposition obtained in certain areas of Yucatan, the PRI candidate pointed out that "the fact that several parties participated in the state and municipality congresses constitutes a privilege for a ruler."

While undermining the protests of the conservative PAN over alleged irregularities committed during the elections, he assessed that the threat of turning local results into a national problem must concern only that party, in order to resolve their internal problems.

At the session, the CEE rejected a petition filed by representatives of the PAN to postpone the vote counting to declare the local leader. The PAN's candidate, Correa, garnered 22,000 votes less than the new governor-elect.

According to spokesmen of this conservative organization, the victory of Cervera could be overturned if the elections, they maintain, in certain communities where anomalies occurred were revised or annulled.

"There still are inaccurate figures that must be modified in light of the number of irregularities that were committed," the PAN delegates insisted, while deciding to withdraw from the session after their proposal was rejected.

Meanwhile, Eduardo Sobrino Sierra, former local gubernatorial candidate of the Party of the Democratic Revolution (PRD, of the center leftist wing), today recognized Cervera's victory and demanded "a true political reform" from the new governor.

At a news conference, Sobrino confirmed that the PRD will not contest the gubernatorial elections; it will contest at least 12 of the 106 mayoral elections in the state.

In the meantime, the CEE released the results of the election in which deputies were elected through the proportional representation system, according to which, proof of majority votes was handed to 12 PAN legislators and 13 PRI legislators, all of whom will take office on 1 July.

Meanwhile, in Villahermosa, the capital of the southeastern state of Tabasco, PRI National President Maria de los Angeles Moreno, before departing from Merida, said that her party wil defend its victories in Yucatan. "We won in a clear and honest fashion while abiding by the law," Moreno stressed, while noting that "we will not give in a bit and will not take a step backward. We will not let blackmail substitute for democracy."

The leader of the ruling party added that Cervera's victory in Yucatan will allow her party to recover the governorship of the northern state of Baja California, which is in the hands of the PAN, as well as other posts the PRI has lost nationwide.

PRI Groups Protest Yucatan Election Results

PA0306025895 Mexico City XEW Television Network in Spanish 0430 GMT 1 Jun 95

[From the "24 Hours" newscast]

[FBIS Translated Text] PRI [Institutional Revolutionary Party] groups dissatisfied with the final election results for their candidates for deputy and municipal president staged violent incidents in four Yucatan State municipalities today.

In Ticul Municipality, south of Merida, dozens of PRI members attacked the Municipal Council after hearing that the final result for their mayoral candidate was unfavorable. Later on, the displeased PRI members burned the electoral packages as well as the documents that guaranteed the victory of PAN's [National Action Party] Marco Perez Medina as mayor of that municipality.

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Freddy Naal, president of Ticul's Municipal Council, said the following:

[Begin Naal recording] A mob appeared clearly intent on attacking us. They entered and destroyed all of the electoral documents and some of the furnishings. [end recording]

Naal said six people were injured during the violent incident but none of the injuries were serious.

In Uman Municipality, 20 km south of Yucatan, a large group of PRI and PAN members gathered at the Municipal Council. William Sainz, a local newspaper reporter, was the only person injured. Documents to confirm the majority of votes garnered by PAN mayoral candidate Gregorio Montero Marin, the winner, were not delivered to that municipality out of fear of reprisals and aggressions.

Meanwhile, in Chichimila Municipality, the president of the Municipal Council was stoned but suffered no major injuries. In Halacho Municipality, east of Merida, PRI members peacefully blocked the highway.

Social Security System Faces Reorganization Amid Crisis

PA0206170695 Mexico City EL FINANCIERO in Spanish 31 May 95 p 25

[Report by Ivan Sosa]

[FBIS Translated Text] With its own economic crisis, and amid a dispute to make it a source for business, the social security system is trying to solve the needs of a population oppressed by unemployment and the decline of purchasing power.

Integrated by the Social Security, SAR [Retirement Savings System], ISSSTE [Social Security and Services Institute for Government Workers], Fonacot [National Fund for Development and Guarantee and Workers Consumption], and Infonavit [Institute of the National Fund for Workers Housing], mainly, the network will support the social viability of President Ernesto Zedillo Ponce's economic program.

After frustrated attempts to incorporate private financing formulas in Infonavit and SAR, the IMSS [Mexican Social Security System] is taking steps to substitute some of its services.

Restructuring the IMSS is necessary, says Juan Moises Calleja, secretary general of the entity, and although it currently has the financial equilibrium to reduce the effects of the crisis on the population, in the immediate future its restructuring will become urgent.

According to analytical data presented by Genaro Borrega Estrada in March, the IMSS is trapped between demographic growth, the labor cost of collective contracts, and the government's decision not to increase contributions. Consequently, the only option is to privatize secondary services and reduce the payroll expenses, which — labor leader Antonio Rosado warns — the union will reject.

According to the International Labor Organization, the "Friedrich Ebert" Foundation, and the conclusions of the First Latin American Summit for Social Development, at the bottom of the crisis of the national security system in the world is the process of the weakening of the welfare state, by tendencies toward capitalization throughout the world and the opening of markets to businessmen.

Former IMSS leader Miguel Angel Saenz Garza, explains that beginning with the regime of Miguel de la Madrid Hurtado the government's contributions to the institution diminished. Today, the solution to the structural problems of the institution lies in restoring the state's quotas to their previous levels; that is, the government must assume its responsibility for social security in Mexico.

Other institutions of the social security system are also confronting a financial crisis and the prospect of facing privatization.

Accused of having delivered only 1.3 million homes to 10 million affiliates after 23 years of existence, the Infonavit is experiencing an accelerated weakening due to a reform process initiated in 1992 in order to introduce formulas of private financing in its operating systems.

Three years after its inception to induce the privatization of the retirement system and also to boost domestic savings, the SAR is facing several questions: Where are the 33 billion pesos of the accumulated fund? What use has it had, what use will it have for the country, and for workers?

Threatened also by the shortage of the reserves to liquidate the insufficient pensions of retirees, the ISSSTE launched an "awareness program" to inform affiliates of the cost of the attention provided, even if they are not charged, at least until yesterday.

Operated more like an entity to bolster consumption than to protect wages, Fenacot is unable to pay a 400-million new peso credit granted since its founding by the Bank of Mexico, which could be used as a pretext for its closure or privatization. Fenacot, whose board of directors represents a share of administrative power

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of the CTM [Confederation of Mexican Workers], has even resorted to private foundations for assistance.

The same scholarship system created as an extension of the social security network to alleviate the unemployment generated by the shock recession program is insufficient (700,000 scholarships), in light of the dimension of unemployment (2 million unemployed) and useless to the production network (of 160,000 scholarship recipients in the first four-month period, only 40,000 were able to get new jobs, when there was a demand for 114,000 vacancies).

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El Salvador

Calderon Swears In New Cabinet Members

PA0306002495 San Salvador EL DIARIO DE HOY in Spanish 2 Jun 95 p 5

[FBIS Translated Text] President Armando Calderon Sol has sworn in the new members of his revamped cabinet, and he has added the new Public Security Ministry and the Office of the Deputy Minister of Commerce and Industry.

The chief of state said his cabinet has been restructured to speed up the work of the public administration.

The Information Secretariat of the Presidency [La Secretaria de Informacion de la Presidencia] has reported that the Public Security Ministry has been created to strengthen the struggle against crime and to guarantee better protection for the citizens' life and property. The ministry will be headed by Hugo Cesar Barrera, who before this was deputy public security minister.

The Office of the Deputy Minister of Commerce and Industry, which will be occupied by Rolando Alvarenga Argueta, was created to reinforce the implementation of economic development programs.

Dr. Francisco Bertrand Galindo, who will maintain his post as president of the Social Housing Fund [FSV], and Raul Garcia Prieto, who will preside over the Agricultural Development Bank, were also sworn in.

Mario Ernesto Acosta Oertel, who was deputy interior minister, will now be interior minister.

Roberto Angulo, the former interior minister, will reoccupy his seat as legislative Assembly deputy, official sources have reported.

Santamaria Resigns

It has been reported that the president has accepted the resignation of Foreign Minister Oscar Alfredo Santamaria as of yesterday. This month the foreign minister will accompany the president at all activities related to his ministry. The name of the new foreign minister will be made known in due time.

Santamaria has said he resigned to rest after six years of serving the country.

He stated: "While it was necessary to fulfill my duties in the government, I did it. I believe that at the family and personal level it is desirable to take time to rest."

Santamaria has been identified as a "trusted man" of former President Alfredo Cristiani, in whose administration Santamaria functioned as minister of the presidency.

Santamaria was the head of the government delegation that negotiated the end of the 12 years of war waged by the Farabundo Marti National Liberation Front.

It was officially reported today that Santamaria will accompany the president to a meeting with Honduran President Carlos Roberto Reina scheduled for today to speed up the border demarcation process on the border between the two nations.

Opposition Parties Reject Government's National Pact

PA0206210095 San Salvador EL DIARIO DE HOY in Spanish 1 Jun 95 p 4

[FBIS Translated Text] Leaders of opposition parties have described the agreement signed yesterday by President Armando Calderon Sol, the Nationalist Republican Alliance (Arena), and the Democratic Party [PD] as "a pact among friends".

According to the deputies of the Social Christian Renovation Party (PRSC), President Calderon Sol did not pay attention to the proposals the opposition parties made yesterday before signing the agreement with the PD. These parties asked to meet to set the bases for a national consensus.

This is the only way an agreement based on consensus can be reached, since otherwise the agreement signed yesterday in San Andres "becomes a pact among friends, cronies, pals, presented to the nation and which in no way can be called a National Pact," they said.

Miguel Espinal made that statement, adding that the pact signed by two political forces cannot represent the interest of the nation, since that pact ignores the stances of other parties. He added that the MSBC [expansion unknown] in the meeting held with private businessmen proposed that a national dialogue with the participation of all the parties be held, where the pact proposal signed yesterday may become the starting point to reach an overall national agenda.

An Agreement is Necessary

Concurring with the MSRC [Social Christian Renovation Movement] members, they have asked the government to begin a national dialogue leading to the preparation of a national development program for the El Salvador of the future without preset conditions and that is the result of a constructive discussion by all of the country's influential sectors, Jovel noted.

FMLN [Farabundo Marti National Liberation Front] leader Gerson Martinez stated his party believes that the opinion of every Salvadoran is useful to draft a

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development program, which must be prepared with the consent of all national sectors.

He also said that yesterday in San Andres "the president showed his true colors, allowing us to see how he is handling the interests of the nation, the country, and the government."

That was only a bilateral negotiation between Arena and a group "subordinated" to it and "cannot be regarded as a national agreement, no matter how the government perceives it, which is almost an insult to the intelligence of society when portrayed as a national pact," Martinez stressed.

In the opinion of the Democratic Convergence [CD] and the Unity Movement, it is imperative to have a national government agenda, which must be prepared in conjunction with all the political parties and the productive segments of society, where workers and businessmen must be represented.

Those agreements must only be made among Salvadorans to establish an agenda that will lead to a national pact that will serve as a guide to handle the state, CD's Jorge Villacorta said.

Opposition Politics on Signing of National Pact

PA0306043495 San Salvador EL DIARIO DE HOY in Spanish 1 Jun 95 p 4

[FBIS Translated Text] Opposition politicians believe the signing of the National Pact means the Democratic Party (PD) would vote in favor of approving the VAT [value-added tax] increase in exchange for allowing Joaquin Villalobos to participate in government.

Eduardo Jovel, leader of the former guerrilla group Farabundo Marti National Liberation Front (FMLN), has said the pact is a way of "passing a tax that will affect the majority of the people" and will not a solve the country's problems.

Melissa Villatoro, leader of the Christian Democratic parliamentary bloc, was more direct and has said "the pact was made by Joaquin Villalobos to become embedded in the government."

PD leader Villalobos has said the pact was drafted by both the government and the PD and has denied that members of the PD would fill in government posts. Nevertheless, Villalobos did not rule out the approval of a VAT increase to allocate funds for financing projects included in the pact. "The important issue is that the whole pact needs financing. Funds for the northern road to Morazan, the streets in Chalatenango, the indemnification to demobilized people have to come from some place, meaning more tax obligations," Villalobos has said.

ARENA [Nationalist Republican Alliance] President Juan Jose Domenech said three weeks ago, however, that the government has managed to secure the necessary votes to approve the 14-percent VAT increase in the Legislative Assembly.

Finance Minister Discusses Plans for Economy

PA0606131895 San Salvador LA PRENSA GRAFICA in Spanish 5 Jun 95 pp 4A, 5A

[Interview with Salvadoran Finance Minister Manuel Enrique Hinds by Ricardo Chacon "over the weekend;" place not given]

[FBIS Translated Text] [Hinds] Our plan is consistent; we are moving toward globalization, and we are reducing production costs in the country, lowering customs tariffs, implementing a fiscal policy consistent with a monetary stability, starting to gradually dollarize the economy, allowing the private sector to dollarize the economy, working hard in the modernization of the state, and drafting laws (on fiscal crimes, smuggling, income tax, the VAT [value-added tax], accounts court, fiscal administration, a new financial law integrated to the state).

[Chacon] Yes, the discourse is clear, but let us try to sift through the issues. First, where are we heading?

[Hinds] We could see it from the standpoint of several aspects: in general, from the country's economic and social development... the vision of a democratic, stable country integrated into the world economy; a country that bases its competitiveness on the production of its human capital and on its people's working abilities.

[Chacon] Is that vision not too general? In how many years do we intend to achieve this goal?

[Hinds] We hope that in a 10- to 20-year period we will be at the level of the so-called newly industrialized countries, as is the case now with the Asian tigers. We believe that in a 20-year period, the country will be at the level of the newly developed countries in which people live amid an ambiance that is hygienic, educated, and acceptable for the 21st century. Indeed, this is the general framework; we can now proceed to sift through it.

[Chacon] What model is inspiring the plan: Singapore, Hong Kong, Chile...?

[Hinds] We have talked about these nations when we refer to specific policies; however, our plan is an utterly Salvadoran innovation. Although it is true that we have

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learned of other different experiences, our job is to develop the Salvadoran course, which, by the way, is being recognized internationally.

[Chacon] Is this plan an innovation similar to that of the peace agreements?

[Hinds] Yes, and let me explain why it is an utterly Salvadoran innovation. All these countries that have rapidly taken off are characterized for having had authoritarian governments. This is so much so that certain academicians have maintained that, unless there is a dictatorship, these countries cannot incorporate a market economy. The reasons for this are as follows: democratic countries allegedly lack the strength to introduce a market economy, because they become hostages of pressure groups, trade unions, and institutions, which are the ones who handle democracy in underdeveloped countries. This point is one of the differences that make the Salvadoran model different.

This is an innovation as huge as the peace process, which set an example for the entire world, because it not only brought forth peace, but also reconciliation and the implementation of an undisputable democratic process... what was previously fought on the battlefield is now fought at the legislative Assembly and during elections, which constitute a quite significant process.

In short, if this modernization can be carried out within a democratic scheme, it would differentiate us from all the existing models.

[Chacon] What other issues show the innovation?

[Hinds] The need of stability is another quite significant issue. There are no better reasons for an investor to invest than keeping the rules clear for a substantially long time and then having stability to make their investments. However, one of the largest problems for the underdeveloped Latin American countries is the fact that investors have not had a clear and well-defined, long-term framework. A government arrives and changes what the previous one did... investors cannot have a long-term vision. Development cannot take place with short-term activities; we must think of the long term.

Insofar as we achieve stability in the country, we will have a comparative advantage over the other countries. First, an investor invests in a stable country rather than in an unstable country. Second, democracy instills a stability that no dictatorship could guarantee.

In this regard and especially with the signing of the San Andres Pact, El Salvador is tending to become a quite privileged place that has a stable democracy good enough for investments. Very close to this — and this takes place only in a democratic ambiance — we have communications, and let us recall that technological communications are essential in these times.

[Chacon] Excuse me, do you mean the San Andres Pact signed by the Nationalist Republican Alliance and the Democratic Party?

[Hinds] Yes, the San Andres Pact is very important because it is the framework that may not only regulate but also guarantee the nation's stability; the other parties will have to join the pact or else they will be left out.

[Chacon] But only two parties have signed it, and one of them is barely being formed....

[Hinds] Even if only two parties signed, they are a majority in the legislative Assembly, and they encompass all the political spectrum, from the right to the left....the pact seeks the nation's stability and democratic continuity.

If others join the pact, it is very positive because we seek the nation's stability; the people no longer want violence, they want stability, and the pact offers that. Basically, and this is the most important thing, it is a pact among political parties, and it represents the citizens' vote. It undoubtedly creates an atmosphere of long-term stability, and it allows us to get out of corporate politics; we now have democratic politics, where politics are ruled by votes.

[Chacon] What do you mean by corporate politics?

[Hinds] I want to bring up a point that, aside from giving our country innovative characteristics, allows us to develop the concept of stability in the nation. Yes, what I mean is that the country must handle political issues and economic issues separately. I want to be quite clear about this.

Developing countries usually have corporate societies in which powerful groups rule the nation, and they are sometimes allied with the government, or against it. Therefore, you may find that the Army, business groups, and labor groups are the ones that actually rule in any given country. However, those same organizations may exist in a developed country, but they do not wield the power. The political parties have the power, and it means a citizen, a vote, wields that power in a democratic society.

That is the basic principle of democracy: You may have $100 million, but you have only one vote, you may earn a minimum salary, but you have only one vote. Under this premise, political groups rule and corporate groups produce. Obviously, interrelations and pressures may occur, but these two dimensions are separate.

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[Chacon] Please be specific. What do you mean? Above all, if we bear in mind that the opposition says our economy is characterized by its monopolistic and oligopolistic nature.

[Hinds] Well, I would not go to the extreme of saying this is the case, but the monopolistic and oligopolistic element is big in our nation. The question to ask is where this comes from — mainly from the privileges created by a corporate economy.

[Chacon] Excuse me for being so insistent. What privileges?

[Hinds] The issue has very complex manifestations, but it has simple and sensible sources. Privileges are a result of protection and this protection has a basic instrument — tariffs. When we talk about tariff policies, some believe this is an isolated issue rather than what it is — the essence of an open economy policy.

[Chacon] What other measures do you refer to?

[Hinds] The reduction in tariffs, complemented by other measures we are adopting, such as the Consumer Law and the Law to Protect Competition, among others. We are trying to give all the Salvadorans an equal opportunity; that is a basic, essential aspect of the economy's new dimension.

Power decreases in the measure that privileges are eliminated — this also involves a series of social institutions and organizations — and work is sought on an equal basis as the only way of forging ahead. However, a lot of political fortitude is necessary to counter those corporate interests and to avoid falling for the specific needs in each of those sectors.

Referring to this, allow me to return to the issue. The San Andres Pact allows us to eliminate privileges and create a society with opportunities for all; that is another one of the pact's important points.

[Chacon] What about the VAT? Is it also part of that?

[Hinds] Partly, yes, because it is part of the fiscal reforms package that strives to regulate revenues as well as expenses; we must invest in education and health, in what is pending from the peace accords. The easy thing is to become indebted but that leads nowhere.

An essential part of the country's transformation policy is the efficient use of the state's resources, where we can invest our money so it yields better results to the country rather than the government. Referring to this, we believe we must invest in education, health, community infrastructure, water, telephones. And that requires money.

[Chacon] Why is there so much opposition to the VAT's implementation?

[Hinds] Partly due to the idea that you must be irresponsible to be a successful politician, meaning you can achieve progress as a politician if you give away things but never think about collecting. Of course, that is what was done in the 1980s.

Furthermore, the measures currently proposed are the same ones that were so harshly criticized during Jose Napoleon Duarte's administration — instead of raising taxes we should become more indebted; instead of establishing a clear tax policy let us take funds from here, bonds from other there....what did the country accomplish with those decisions? Net international reserves that were negative, a high inflation....total chaos. Who paid for this? The population.

Poll Rates President 4.96 on 10-Point Scale

PA0306001995 San Salvador LA PRENSA GRAFICA in Spanish 1 Jun 95 p 6A

[FBIS Translated Text] On a scale of one to 10, President Armando Calderon Sol ends his first year in office with a rating of 4.96 percent, according to the results of a survey taken by the Public Opinion Institute of the Jose Simeon Canas Central American University (UCA). The survey disclosed today was conducted on 20-21 May with 1,230 adults in 10 of the country's 14 departments.

In addition to rating the president's first year in office, the survey reveals that the main tasks for the government in the future will be creating jobs, fighting crime, and controlling prices.

Jesuit Rodolfo Cardenal, deputy director of the UCA's social outreach office, stated in a news conference that the persons queried gave an average rating of 4.96 percent to the Calderon Sol government in its first year in office, which ends today.

Cardenal explained that the average ratings by socioeconomic sectors reveal that the government's standing is worse among people living in low-income regions and peasants in the interior of the country than in other segments of Salvadoran society.

In fact, 31.5 percent of those surveyed rate the president's actions as "poor" and 9.8 percent, as "very poor," whereas 22.6 percent rated it as "good," 1.8 percent, as "very good," 30.2 percent, as "average," and the rest did not know.

The poll also shows positive changes in the past 12 months, which include, in order of importance, sanitation and cleanliness in the streets, compliance with

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the peace accords, improvement in public services, and a drop in crime. As for the negative changes, those surveyed mentioned the high cost of living, a higher crime rate, a possible increase in the value-added tax [VAT], and lack of employment.

The survey included a question on raising the VAT from 10 percent to 14 percent to finance the peace accords that are still pending, and 91.3 percent disagreed, the rest agreed or did not know. UCA's University Public Opinion Institute (IUDOP), headed by Jose Miguel Cruz, conducted the research and analysis, which has a 4 percent margin of error.

Guatemala

Vice President Affirms Bamaca Case Closed

PA0606002495 Guatemala City SIGLO VEINTIUNO in Spanish 3 Jun 95 p 3

[FBIS Translated Text] Guatemalan Vice President Arturo Herbruger affirmed yesterday that as far as he is concerned, the case of guerrilla Efrain Bamaca Velasquez, or *Commander Everardo,* is closed, even if he was not killed in combat, as was stated.

In fact, the high-ranking government official left open the possibility that the former guerrilla, whose whereabouts are being sought by his alleged wife Jennifer Harbury, may be *hiding someplace out there.*

He recalled that several days ago, a charge was made that Bamaca's body had been replaced with that of someone else, supposedly a former member of military intelligence, *Che Perez, or Valentin.*

According to Herbruger, everything must be subject to an investigation, although if the Attorney General's Office demonstrates that the body found at the combat site where Bamaca allegedly died is really that of *Valentin,* such a situation must be accepted as valid.

Also, he expressed his pessimism that the investigations that Harbury is carrying out in San Marcos to find the body of the *former commander Everardo,* may have positive results. *It is but another speculation, in addition to the fact that San Marcos is too big to try to find a body,* he argued.

As to whether Bamaca's alleded death during his kidnapping and torture should be cause for the case to remain open, he responded that the investigation has ended and nothing more can be done.

If we were to try to find the whereabouts of each slain guerrilla, then we would really be in for a rough time, the vice president stated.

For Ronald Ochaeta, director of the Archbishop's Human Rights Office (ODHA), given the disappearance of a person, strictly from a judicial standpoint, the case cannot be closed.

He said Herbruger possibly stated the case was closed because everything has been said, in which case this theory might be valid. This is not applicable judicially, however, because there is a case that demands an investigation.

Nicaragua

Kidnappers Release Husband of Chilean Ambassador Soto

PA0606011295 Panama City ACAN in Spanish 1913 GMT 5 Jun 95

[FBIS Translated Text] Managua, 5 June (ACAN-EFE) — Ivan Enrique Paniagua, the husband of Chilean Ambassador to Nicaragua Laura Soto, was released today, 5 June, by the three hooded men who had kidnapped him an hour earlier at the diplomatic legation of that South American country in Managua.

Three men who claimed to be members of a group called "380" and who were bearing weapons and a presumed "bomb" burst into the Chilean Embassy in Managua at 1130 hours, local time, (1730 GMT) on 5 June.

Chilean Consul to Nicaragua Maria Elena Cuevas told ACAN-EFE that the kidnappers released the husband of Ambassador Soto and that "he is out of danger" at the embassy's offices. "He (Paniagua) was released somewhere in Managua" and returned to the embassy on his own "where he remains calm and out of danger," Cuevas added.

The South American diplomat confirmed the hooded men stayed for several minutes inside the embassy, "getting out after meeting with Mr. Paniagua, whom they took with them and whom they released later."

Cuevas also confirmed that the unidentified men did not make any demands nor did they explain the objective of their action. When they entered the embassy, however, they limited themselves to saying "this is a peaceful takeover."

"380" is the nom de guerre of the defunct Nicaraguan "contras" used during the civil war of the past decade, but no group had claimed responsibility for this action as of this afternoon, local time.

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Minister Announces Future Changes in Compensation Payments

PA0606001895 Managua LA PRENSA in Spanish 4 Jun 95 pp 1, 8

[Report by Maria Elena Palacios]

[FBIS Translated Text] Yesterday, Finance Minister Emilio Palacios announced future changes in the payment of compensation bonds as well as a possible gradual reduction of the value-added tax (VAT) that will start with an agreement between the Mifin [Ministry of Finance] and the private business sector.

Pereira said that in order to change the compensation bonds, Mifin will hold a bid shortly for the printing of "legitimate bonds" on security paper that will substitute the current bonds.

"We are drafting a decree to substitute the payment bonds for certificate bonds," Pereira said yesterday. Pereira added that the bonds that were issued from February to June 1993 will mature in August.

Pereira added that before this maturity date, Mifin, through the Treasury, will begin paying interest to beneficiaries in bonds in August.

Beginning 5 June, Mifin will send a letter to all individuals to be compensated announcing they may withdraw their interest coupons in advance in the form of a credit note starting 15 June, "so that they may bring their checks to the Treasury when they mature in August."

Pereira explained that the interest coupons will have the same characteristics as the tax bond certificates, "meaning individuals who have these bonds will be able to discount them in the stock market in the same way as certificates are discounted."

Pereira also announced that the government will issue a presidential decree next week establishing that the interest coupons will not only serve to withdraw cash from the Treasury but also to pay any tax, or debt, with any state institution.

Pereira said that even though a reduction in taxes is "very destabilizing" to the national economy, the government has contemplated the possibility of a gradual reduction of the VAT.

Pereira said that to firmly establish this possibility, Mifin will thoroughly examine the structure of the DGI [General Directorate of Revenues] and the DGA [General Customs Directorate]. Pereira said Deputy Minister Rene Vallecillo will be temporarily in charge of running the two institutions.

"We are going to convoke Cosep [Higher Council of Private Enterprise] and the Chambers of Industry and Commerce so as to ensure that if a gradual reduction of the tax can be given, this benefit will be transferred to the public," Pereira said.

Talks Reopen on Free Trade Agreement With Mexico

PA0306171495 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 1 Jun 95

[From the "National Newscast"]

[FBIS Translated Text] Nicaragua and Mexico will reopen talks on a free trade agreement between the two countries. Meanwhile, Nicaragua has listed basic conditions for signing such an agreement. Apparently, it will be possible to sign a free trade agreement with Mexico this year if Mexico reconsiders its position on our country's agricultural and livestock products.

[Begin Deputy Economy Minister Eduardo Belli recording] Nicaragua has listed some conditions. These conditions include a broad opening to Nicaraguan agricultural and livestock products, such as sugar and beef, which will permit us to enjoy some benefits from entering the Mexican market. This has been a basic Nicaraguan negotiating point. We are not prepared to accept modifications to our proposal. [end recording]

Also, we were informed that today there will be a meeting in Washington to follow up on the agreements reached at last year's hemispheric summit and to review the agenda of the ministerial meeting scheduled on 29-30 June in Denver, Colorado, where the action plan for initiating the process for a hemispheric free trade agreement will be unveiled.

[Begin Belli recording] On 16 and 17 June, the OAS, IDB [Inter-American Development Bank], and the Economic Commission for Latin America, which served as a technical secretariat for the hemispheric summit, will present a report on the trade conditions of the countries of the region. This will serve as a framework for a discussion designed to help the ministers present a more detailed action plan in Denver. We hope to make significant progress in this ministerial meeting in Denver to ensure that the decisions reached at the hemispheric summit can be pursued more formally and prudently. [end recording]

According to the deputy economy minister, Nicaragua has been aligning its market standards in preparation for the year 2005 — the deadline for establishing the hemispheric free trade agreement.

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Panama

Central American Parliament Endorses Economic Plan

PA0506141895 Panama City LA ESTRELLA DE PANAMA in Spanish 3 Jun 95 p A10

[Resolution issued by the Central American Parliament; place and date not given]

[FBIS Translated Text]

Initiative on the Modernization of the Republic of Panama's Economic Development

The Central American Parliament

WHEREAS: The Central American Parliament is a forum for the advancement, analysis, and recommendation of political, economic, social, and cultural issues, as well as other issues of common interest, to support peaceful coexistence in an atmosphere of security and social well-being.

WHEREAS: Within the context of the new international economic order; the globalization of trade and the commitments acquired in the Central American Alliance for Sustained Development, which has been signed by the Central American presidents; and the agreements signed at the Summit of the Americas held at Miami in December 1994; and our countries' negotiations to join NAFTA, to adhere to the World Trade Organization regime, and other efforts and agreements to modernize international economic and commercial relations.

WHEREAS: One of the Central American Parliament's attributions is to serve as a forum to review economic and social issues that affect countries in the region, with an emphasis on representative and participatory democracy, pluralism, and respect for national and international laws.

WHEREAS: The Government of the Republic of Panama is currently involved in a three-way (government-labor-private enterprise) consultation to legislate and establish mechanisms through the modernization of its Labor Code and related fiscal laws, and to implement general standards for tax incentives that improve and increase employment opportunities, encourage trade and investments, reduce customs tariffs, and eliminate obstacles to domestic and international trade.

THEREFORE: In exercise of its authority,

IT HAS DECIDED

To congratulate and wish the best success to the government of the Republic of Panama in the initiative it is sponsoring for peaceful coexistence and economic and social welfare, within the framework of the Central American Alliance for Sustained Development With Equity, which represents the basic goal for the region's integration and our nations' welfare.

Notify Dr. Ernesto Perez Balladares, president of the Republic of Panama, about this resolution, as a message of congratulations from the Central American Parliament in view of his government's initiative, which abides by current standards for overall development.

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Argentina

President Rejects Patents Law Approved by Congress

PY0506175195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1038 GMT 5 Jun 95

[FBIS Translated Excerpt] Buenos Aires, 5 Jun (NA) — President Carlos Menem has stressed that he will not promulgate the patents law approved by Congress, which partially rejects the executive branch's veto of the original bill, and he indicated that he will try to achieve the necessary consensus with Congress to adapt the law to the requirements of the international community.

"This law has not been approved appropriately. Current rules and regulations have not been complied with. It is in total disagreement with doctrine and jurisprudence on the topic, and we are not going to promulgate it," an angry Menem replied when told that Congress did not agree with that idea.

The strong dispute that has broken out within the government over the patents law has generated a confrontation between the executive branch and Congress, although the president flatly rejected any type of disagreement with his brother Eduardo Menem, provisional president of the Senate.

Menem made a fastidious interpretation of the procedure used by Congress to approve the law that partially rejects the presidential veto, and he termed the legislation a "nonexistent law." [passage omitted]

Visiting Bolivian Minister Praises Argentine Economy

PY0606031895 Buenos Aires TELAM in Spanish 1624 GMT 5 Jun 95

[FBIS Translated Text] Buenos Aires, 5 Jun (TELAM-SEM) — Bolivian Economic Development Minister Fernando Cossio today praised the development of the Argentine economy. He emphasized that if Argentina catches a cold, Bolivia will catch bronchitis.

Cossio, who met Economy Minister Domingo Cavallo this morning, expressed his "satisfaction" over the recovery of the Argentine economy after the Mexican crisis of December 1994.

Describing the relationship between the two economies, Cossio pointed out: "If Argentina catches a cold, we in Bolivia will catch bronchitis."

The Bolivian economic development minister emphasized that the ideal would be to achieve integration between the Andean Pact, which Bolivia belongs to, and Mercosur [Common Market of the South].

Cossio informed Cavallo of his country's economic-financial relations with Germany, as Cavallo will meet German Economics Minister Guenter Rexrodt this afternoon.

After emphasizing that the Bolivian economy is very open, with external tariffs totaling 10 percent and taxes on capital goods totaling 5 percent, Cossio pointed out that his country's initial interest in Mercosur is limited "to approaching it."

Cossio emphasized that "in the short and medium term" Bolivia "cannot join Mercosur because it is an Andean Pact member, and this is incompatible."

Cossio pointed out that Argentina and Brazil are his country's main trading partners. Therefore, "Bolivia is very interested in the regional market's development," he said.

Nevertheless, Cossio pointed out that "it is necessary to monitor the Andean Pact's development over the next few months, especially after the conflict between Ecuador and Peru," which are the countries that, along with Bolivia, Colombia, and Venezuela, make up the Andean Pact.

Asked about the possibility of achieving integration between Mercosur and the Andean Pact, Cossio noted that this "would be ideal for his country's interests."

Cavallo, Chile's Garcia Discuss Trade Relationship

PY0606020795 Madrid EFE in Spanish 1632 GMT 5 Jun 95

[FBIS Translated Text] Buenos Aires, 5 Jun (EFE) — Chilean Economy Minister Alvaro Garcia said today that Chile "is especially interested" in an agreement liberalizing trade in services between his country and the Common Market of the South (Mercosur).

"We are very interested in physical integration, which means greater investment in roads and energy interconnections" among the countries of the region, Garcia said after meeting with Argentine Economy Minister Domingo Cavallo.

Garcia and Cavallo discussed the implementation of a comprehensive plan for the development of the Argentine Patagonian region and southern Chile, Garcia said during a news conference.

Chile proposed joint investments in building and improving highways, as well as in sharing the development of tourist programs in the region, "among many other initiatives."

The Argentine and Chilean south "have enormous complementary potential," Garcia said. Earlier in the

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day the Chilean minister met with the governors of the Patagonian region's six provinces.

Argentina "has been crucial" in Chile's deepening relations with Mercosur, Garcia stressed.

With respect to regional trade in services, Garcia said that "Brazil must still take the necessary legislative steps for a broader opening to permit free competition."

The Chilean economy minister said that there "has been a lot of progress" in the negotiations with Mercosur (Argentina, Brazil, Paraguay, and Uruguay) for a free trade agreement "before the end of the year."

Garcia added that "it would be good" if the Mercosur partners lowered their common external tariff in the future. This would encourage increased trade in the region.

Referring to Chile's negotiations with Mercosur, Garcia said: "We must still finish the list of sensitive products and those that are exempt from free trade."

Garcia said "we are taking steps" to fulfill the requirements for Chile's entry into NAFTA, the free trade association between the United States, Canada, and Mexico.

Formal negotiations to join NAFTA will begin tomorrow in Vancouver (Canada) "as was previously established," Garcia said, outlining the fact that the Mexican crisis "did not affect the established schedule."

Today Alvaro Garcia will have a meeting with the economy ministers of the Mercosur member countries and Bolivia. The group of ministers will attend a ceremony during which the Inter-American Development Bank (IDB) will sign an agreement granting Argentina a $750 million loan.

IDB President Enrique Iglesias, from Uruguay, and German Economy Minister Guenter Rexrodt will also attend the ceremony.

On 6 June the Southern Cone economy ministers will speak at a Latin America-Germany seminar that will take place in Buenos Aires to mark Rexrodt's visit to the country.

Automobile Manufacturing Industry Stalled by Slow Sales

PY0606000795 Buenos Aires AMBITO FINANCIERO in Spanish 25 May 95 pp 1-2

[FBIS Translated Text] Over half of the automotive industry is paralyzed because of declining sales by manufacturers to dealers. Over 12 months these sales have decreased by 38 percent, demonstrating that the recession is deepening, while most are of the opinion that the situation will not be overcome quickly. On 24 May CIADEA (formerly a Renault plant) announced that it was going to suspend some 4,500 employees at the Santa Isabel plant in Cordoba Province, thus adopting a decision similar to the decision adopted some days ago by SEVEL and Fiat Iveco. The former Renault plant will suspend its personnel on 26 May, and will do the same from 5 to 16 June. Meanwhile, SEVEL on 26 May will conclude a one-week suspension. On 26 May Fiat Iveco will conclude a 10-day nonproduction period. The Macri and Manuel Antelo Groups jointly represent approximately 60 percent of the Argentine automobile market. Fiat Iveco's share is a lot less, as it manufactures only commercial vehicles, but it is still significant and should be mentioned.

This sector, which was Minister Domingo Cavallo's hobby horse due to its spectacular growth, is also currently the sector that is giving the government most of its headaches. These three companies today have some 10,000 suspended workers (CIADEA 4,500; SEVEL 4,000; and Fiat Iveco 280). Although the manufacturers stress that these suspensions are necessary in order to adjust production plans, and that they will not be repeated within the next few months, it is known that the expectations for the second six-month period are not optimistic. The manufacturers will resort to reduced working hours and the elimination of production shifts in order to adapt to the new rhythm of demand. It is also true that the high level of stock makes it impossible for the manufacturers to maintain a reasonable level of production. An outlet to this problem through exports is not easy, and Brazil is the only market that could be taken into account. Manufacturers doubled their sales to that country within a very few months, but because sales levels had started off at very low levels this does not compensate for the low domestic demand. There is also the resistance in Brazil to the import of Argentine vehicles through tariff barriers, which caused the local manufacturers to submit a complaint to the Industry Secretariat.

At the beginning of 1995 the manufacturers had planned to produce 10 percent less than in 1994, but it is now believed that the overall market could fall some 20 percent, or even more. During 1994, some 408,000 vehicles were manufactured. It is estimated that in 1995 it will be very difficult to manufacture 330,000.

According to a FIEL [Latin American Economic Research Foundation] report, April demand registered the lowest negative index in the past two years, demonstrating that the situation of this sector is a good indication of what is happening in the industrial sector in general. The disappearance of lines of credit with the Mexican financial crisis was the main motive for this reduction in sales. The automobile dealers stress that despite the

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cautious reappearance of lines of credit after the elections, the market is not responding, and it is believed that it will continue to fall.

The demand for nationally manufactured vehicles fell by 25 percent up to the present time, and by 40 percent for imported vehicles. Available data for May indicates that demand remains very low.

Bolivia

Foreign Minister: No Extension for Coca Eradication Deadline

PY0306034695 Cochabamba LOS TIEMPOS in Spanish 20 May 95 pp A1, A2

[FBIS Translated Text] La Paz, 19 May (LOS TIEMPOS) — Bolivian Foreign Minister Antonio Aranibar said today that the Bolivian Government will not ask for any extension of the deadline of the U.S. "ultimatum" for the eradication of 1,750 hectares of surplus coca crops and the signing of a new bilateral extradition treaty, which expires on 30 June 1995.

Remarks by officials in charge of the country's foreign policy have minimized the rumors that were insistently circulating today (yesterday) in this capital, to the effect that the Bolivian Government had reportedly asked the United States for an "extension" or "expansion" of the deadline for the elimination of surplus coca crops and the signing of a new treaty to facilitate "legal" extradition of Bolivian citizens suspected of having links to drug trafficking, or of "infringing upon the interests of U.S. public security."

This rumor has emerged in reference to a secret meeting held on Friday, 19 May (yesterday) among U.S. Ambassador Curtis Kamman, Bolivian International Relations Secretary Jaime Aparicio, and Social Defense Secretary Mario Soliz, at the Foreign Ministry.

The foreign minister said the meeting between national officials and the U.S. ambassador had nothing to do with a possible Bolivian request to extend the deadline of the "ultimatum," which ends on 30 June 1995.

According to several government officials, the central government feels that there is no need to extend the final dates established to eliminate the surplus coca crops and to sign a new extradition treaty because they will be fulfilled within the established dates and deadlines.

Moreover, Justice Minister Rene Blattman said that the technical- legal document of the final project for a new extradition treaty has been prepared, and there is now only a need for respective top-level political consultations. The agreement could be signed during the course of the coming week.

Brazil

'Sabotage' at Ipen Plant Allegedly Caused Iodine Leak

PY0506122095 Sao Paulo AGENCIA ESTADO in Portuguese 2328 GMT 1 Jun 95

[Report by Tania Malheiros]

[FBIS Translated Text] Rio de Janeiro, 1 Jun (AE) — Political and economic interests could be behind the two suspected acts of sabotage which caused a leak of Iodine-131 (a radioactive element) and the contamination of some experts 30 days ago at the Institute for Nuclear and Energy Research (Ipen) of the National Nuclear Energy Commission (CNEN) in Sao Paulo. Nuclear experts today recalled that Ipen holds a monopoly in the production of radioisotopes (elements used in hospital and medical centers) in Brazil. This monopoly could be a target for large groups interested in entering in this market.

The same experts reported that nearly 500,000 nuclear medical examinations are carried out in Brazil every year, all of which use material produced by Ipen. To give one an idea, production at Ipen represents about $3 million worth in annual sales. From the business point of view there could be interest in discrediting Ipen's image so that this monopoly be broken, said one CNEN official currently assigned to the Strategic Affairs Secretariat (SAE).

Beside this, the work of Ipen in the parallel (military) nuclear program has always involved military and civilians. "Ipen is one of the greatest scientific forces in any autonomous nuclear development in Brazil," said one SAE expert. With 1,300 employees, Ipen actively participated in the research projects carried out at the Aramar Experimental Center in Ipero, Sao Paulo, where the nuclear fuel cycle was mastered by enriching uranium by 20 percent in 1987. Brazil subsequently joined the restricted "Atom Club" — the group of countries that have mastered the technology to manufacture an atomic bomb.

One of the mentors of the Navy parallel nuclear program and one of the most important coordinators of the creation of the center in Ipero is Rear Admiral Othon Luiz Pinheiro. He fell from power last year. Adm. Pinheiro was the chief of the autonomous program and for years presided the Coordinating Center for Special Projects (COPESP) that includes Aramar and Ipen. While on active duty, Adm. Pinheiro contracted private companies without calling public bids which led the current Navy Ministry administration to investigate the issue. He is also being investigated by the Navy

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for having used Navy funds and vehicles without authorization.

He was replaced by Admiral Arlindo Viana last year. Two months ago, Adm. Viana stepped down and the post has been occupied since then by Admiral Ivan Aquino. The word in the nuclear circle is that people and companies who were helped by Adm. Pinheiro, and who are now dissatisfied with the current Ipen administration, could be either directly or indirectly involved in the sabotage.

U.S. Bank Report Seen as Lesson for Brazilian Economists

PY0506175395 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 May 95 p B2

[Editorial: "A Long, Soft Landing"]

[FBIS Translated Text] The data and the forecasts are quite good. They are listed in an Executive Branch report drawn up by Central Bank technicians and private sector economists. To summarize it, they are as follows: 1) After rapid growth, the economy lost momentum, slowed by high interest rates, although there will probably be no recession; 2) Consumption will be checked, but investments by enterprises should guarantee a reasonable expansion of the GDP; 3) The export growth in 1996 will help support the dynamic performance of the economy (sales abroad should be promoted by the demand of one of the main neighboring markets and by the exchange rate devaluation); 4) Unemployment will slightly increase because of the reduced economic activity level; 5) Inflation will be a bit higher in 1995 and in 1996, pushed up by salaries, but will remain at reasonable levels.

Most of this data was estimated by an association of economists who work for enterprises. The Central Bank has announced that even though the economy was more active in April than in March, it is less accelerated than it was in 1994. In the final quarter of last year, the GDP grew at an annual rate of 5.1 percent. Economists estimate that this rate dropped to 2.8 percent during the first quarter of 1995, and that between April and June it should stand at an annual level of 2 percent.

This is the sort of picture the Brazilian Government would love to portray in its reports, but the economy described here, however, is that of the United States. The worst forecasts by National Association of Business Economists (NABE) technicians deal with unemployment and inflation, but they are far from catastrophic. Unemployment may slightly surpass 5.8 percent in April, but it will tend to drop at the end of the year. Consumer prices may rise by 3.3 percent this year and by 3.4 percent in 1996 (the growth rate in 1994 was 2.6 percent). By international standards, this is a reasonable pattern. Without the slowdown, the result would have been much worse. Central Bank data, even though without forecasts, suggests even more optimistic expectations. Even though prices of raw materials and industrial products continues to rise, "reports from several districts suggest the increase is moderate or without acceleration, or that the increase is not being passed on to final product prices."

Two comments can be made here: First, even though this picture is portrayed in appropriately optimistic shades in an Executive Branch report, the "long, soft landing" is clearly attributed to the monetary policy (seven interest rate increases since February 1994). This policy has not always been willingly accepted, however, by the president and his closest advisers. The policy might not have gone so far had the North American Central Bank not been very autonomous.

Second, the observation on the prices of raw materials and intermediate goods is very instructive for Brazilians. Price increases in the production chain do not necessarily produce higher final prices. In Brazil, this was forgotten a long time ago, even by economists of good repute.

Oil Worker Federation Recommends End of Strike

PY0206184595 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 2 Jun 95

[FBIS Translated Text] After 30 days of a strike that the courts deemed illegal and which caused chaos in the supply of petroleum byproducts almost all over the country, the Single Oil Workers Federation today recommended strikers to return to work.

Workers will meet at each Petrobras [Brazilian Petroleum Corporation] unit to decide whether to obey the strikers' central command.

In Rio de Janeiro, Duque de Caxias refinery workers ended their strike. They began a meeting at 0700, and a short time ago decided to return to work. They accepted the recommendation by the Single Oil Workers Federation.

During the 30 day strike, the refinery never came to a full stop. One distillation unit continued to work, operating at 21 percent of its capacity, processing 38,000 barrels of oil per day to produce gasoline, fuel oil, diesel oil, and aviation kerosene.

Despite their decision to end the longest strike in the history of Petrobras [Brazilian Petroleum Corporation], refinery workers will remain in a state of strike until talks with the Petrobras executive board resume.

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Workers today resume work at the refinery units, but production will take two days to normalize.

In Bahia, the 1,800 workers at the Landulpho Alves refinery, in Mataripe, have already returned to work.

The strike is also over in Ceara. The decision was made during a meeting early today. Strikers returned to work during the morning. The eight refinery platforms are already pumping natural gas.

Petrobras reported that asphalt production will restart this evening. Petrobras is already transporting workers to the platforms. The executive board reported that production will be normalized tomorrow.

Workers at the Alberto Paschoalini refinery in Canoas, Rio Grande do Sul, will meet at 1400 to decide whether to end the strike.

In Parana, Getulio Vargas refinery workers spent the morning outside the union headquarters in Araucaria. At 1800 they will meet to decide whether they will return to work.

In Sao Paulo, workers of the Paulinia refinery — the country's largest refinery — will return to work if the Army is removed from the facilities. The workers also decided to maintain a state of strike until negotiations with the government are resumed.

A tense atmosphere prevails at the Presidente Bernardes refinery in Cubatao. Early this morning, the 300 workers occupying the refinery would not allow other workers to join their meeting.

At the Henrique Laje refinery in Sao Jose dos Campos, workers held an assembly but made no decision.

The workers of the Henrique Laje refinery — the country's third largest refinery — this morning held a meeting. However, they postponed a decision on the end of the strike for the end of the day. They called another meeting for 1700.

At the Presidente Bernardes refinery there was a tense atmosphere all morning. The police guard was reinforced to allow returning workers to enter the refinery. The gates remained closed, however, and the police did not bar pickets from the refinery side gates.

The strikers' command put union cars in front of the gates to block the entrance. No one entered the facilities. By mid-morning, the 300 strikers who have occupied the facilities for 24 days held a closed-door meeting at the refinery restaurant. They decided not to follow the Single Oil Worker Federation recommendation to return to work and will continue the strike.

[Begin Santos Oil Workers Union President Averaldo Menezes recording] The agreement will be fulfilled or we will stay until Christmas, New Year, or Carnival. We will stay. [end recording]

The 400 oil workers outside the refinery waiting to join the meeting were not allowed to vote. Petrobras has reported that many of them were willing to return to work, but were intimidated by the workers occupying the refinery.

Cubatao workers will hold another meeting at 1800.

In Greater Sao Paulo, workers at the five Petrobras terminals, who are responsible for oil byproduct storing and distribution, have returned to work.

Workers at the Capuava refinery in Maua are also meeting.

At the Almirante Barroso terminal in Sao Sebastiao, on the northern Sao Paulo coast, strikers returned to work at 0700. This information was released by the union. Ships carrying crude oil unload at this terminal from where it is taken to state refineries.

Cardoso Seeks Votes of Dissident Congressmen on Oil Vote

PY0306014295 Rio de Janeiro O GLOBO in Portuguese 31 May 95 p 3

[Article by Jorge Bastos Moreno]

[FBIS Translated Text] Brasilia — President Fernando Henrique Cardoso has decided to personally seek votes to guarantee the approval in the Chamber of Deputies next week of the constitutional amendment that eases the situation with regard to prospecting for and refining of oil. Enthusiastic at the public's reaction to the oil workers' strike, President Cardoso decided to seek the more than 60 dissidents from the government alliance parties who voted against the amendment breaking the telecommunications monopoly or who did not attend debates about the subject.

The president wants to obtain the favorable vote of at least 25 of the 60 dissidents or absentees, especially those from the PMDB [Brazilian Democratic Movement Party], which is the largest party in Congress, because he admits that, with rare exceptions, rebels inside his own party, the PSDB [Brazilian Social Democracy Party], are lost causes. PMDB dissidents believe that they can obtain between 30 to 40 votes from their party.

In his first efforts, the president already managed to obtain the support or guarantee the presence of nearly 15 congressmen. In some cases, however, the president was not successful, as he himself admitted to some leaders. For example, Deputy Rita Camata (PMDB-ES) [Espirito Santo], according to Cardoso, has been

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very knowledgeable when she received his phone call and spoke with him, but she did not want to promise she would vote in favor of the government. Rita Camata afterward confirmed to O GLOBO part of the president's version, but she said she favored more debates on the subject between the government and the PMDB.

"I am against monopolies. However, I am also very concerned with the creation of private monopolies. A complementary law regulating the subject could perhaps be the best solution. It would even enhance the debate within Congress," she said.

The main PMDB members who are in opposition are from Paraiba, Ceara, and Para states, and they are annoyed as a result of clashing interests, that is, they are annoyed because their regional demands have not been addressed. The government admits that those who acknowledge having control over the dissidents are precisely the congressmen considered to be policymakers in the PMDB. They are: Jose Pinotti (SP) [Sao Paulo], Paes de Andrade (CE) [Ceara], Gonzaga Mota (CE), Zaire Rezende (MG) [Minas Gerais], Marcelo Barbieri (SP), and Rita Camata.

Cardoso began his offensive to conquer votes after having admitted that, on a short-term basis, the approval of the breaking of the telecommunications monopoly in the first voting round in the lower house is much more important for the government than that of Petrobras [Brazilian Petroleum Corporation].

[The same issue of Rio de Janeiro O GLOBO in Portuguese carries, also on page 3, a 300-word related article that adds the following: "The dissidents better watch out. Planalto Palace intends to treat the congressmen from the government alliance as opposition members if they vote against the amendment breaking the Petrobras monopoly. Government vice leader in the lower house Deputy Jackson Pereira (PSDB-CE) says that no opposition member will receive a government post.

["'If they vote against the government proposals in all or in most voting sessions, they will be treated as opposition members. An opposition member cannot hold a government post; otherwise, it would look foolish.'

["Pereira also confirmed that the government will hasten the pending nominations for second and third rank government posts."]

Entrepreneurs Fear Recession Under High Interest Rates

PY0506172595 Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 May 95 p Section 1 p 8

[Article by Clovis Rossi]

[FBIS Translated Text] High interest rates have an additional evil effect: recession is a word that has already been incorporated into entrepreneurial jargon.

Says entrepreneur Jorge Gerdau: "Some sectors have overheated, like the car and automobile parts manufacturing sector, but others, like civil construction, are absolutely stagnant."

He said there are differences among sectors and among regions: "The northeastern region is chaotic."

Based on Gerdau group calculations, 40 percent of credit sales are not being paid for in the northeastern region, whose historical average credit nonpayment rate has never surpassed 8 to 12 percent.

In the very rich region of Uberlandia, Minas Gerais, in the south, Martins, an enterprise with annual sales of $1.4 billion, complains that 50 percent of credit sales are not being paid for.

FIEMG (Minas Gerais State Federation of Industries) President Stefan Bodgan Salej says: "I see expectations about the economy — which are often more important than facts themselves — are fading."

"We are unsure if the government wants a recession," says FIESP's [Sao Paulo State Federation of Industries] Boris Tabacof.

This is why major entrepreneurial sectors have criticized what they regard as excessive academicism within the economic team.

Tabacof said ironically: "The team has reached the part of the handbook which says enterprises must go broke and the country must enter a recession."

Abimaq [Brazilian Association of Machine Industries] President Sergio Magalhaes complains that "the economic team is too academic. It only follows the book, it does not talk with industrialists."

Bodgan goes even further. He criticizes what he considers "exaggerated monetarism" coupled with the opening of the economy, without an antidumping law like in Argentina, and the "lack of a clear production promotion policy."

"Too much attention is being given to demand levels, without thinking about supply," Bodgan concludes.

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In a more conciliatory position, Gerdau admits "the process of operational direction of the economy is extremely delicate."

All the same, he criticizes "Brasilia's difficulty in realizing the complexity of the situation."

There is such complexity that some industrialists believe even a sudden reduction of interest rates would not cause a price increase, even with higher demand levels.

Boris Tabacof says: "High interest rates are not the factor holding down prices. It is because of the stability of farm product prices and prices under government control." He alluded to utility rates, which have been frozen for 10 months.

Banker Henrique Meirelles tends to agree with this assertion: "High interest rates have little effect on controling consumption, which in Brazil — compared with the United States — is not acute."

Boston Bank President Henrique Meirelles says that rather than reducing consumption, high interest rates seek to stabilize the balance of payments (the country's total external accounts).

Very high interest rates attract foreign capital, because the compensation is a lot higher than in the United States or Europe.

This can allow the country to have a trade balance (exports minus imports) deficit (or a small surplus) because it is compensated by the balance of payments.

The problem is that this capital, which is generally speculative, does not produce wealth.

"If interest rates remain high and there is a bit of a recession, factories may not close but manufacturers become salesman, thus reducing employment," says Sergio Magalhaes.

Analyst: Government's Economic Figures Too Pessimistic

PY0506224295 Rio de Janeiro O GLOBO in Portuguese 31 May 95 p 24

[From the "Economic Panorama" column by Miriam Leitao: "The Wrong Signal"]

[FBIS Translated Text] Brazilian exports in May surpassed $4 billion, lying somewhere between $4.1 and $4.4 billion. This is a record export level. It surpasses last month's export figures by between $700 million and $1 billion.

Last month Brazilian average daily exports stood at $200 million per day, and for 19 workdays (three workdays before the end of the month), final data showed an export figure of $3.9 billion. Last month imports reached $3.3 billion.

Despite the fact that this is a positive figure, the government has preferred to emphasize negative figures. That is, a deficit that has not yet been officially estimated but will be "worse than we imagined," as Finance Minister Pedro Malan put it. It would be difficult to find another time when the government has so carefully tried to report negative news, despite the fact that inside the government itself there are contradictory reports on the subject.

In order to register the expected deficit imports should have surpassed $5 billion. In other words, imports in May should have surpassed those of December, during the climax of government incentives to exports and the acceleration in consumption. Incidentally, this would be a record import figure.

It is funny, however, that up until yesterday there were final import data only up to 18 May. As is known, import statistics are slower and more unstable than export figures. While export statistics are calculated with computers, imports are calculated manually. "With those data it is possible to forecast a stable trade balance or a small surplus," a government source said.

The explanations for such a huge import increase estimate at the end of the month are different, depending on the consulted government source. The reason for the problem can be petroleum, cars, or everything at the same time. The only convincing explanation that I have so far heard is the increase in capital goods purchases. "As is known, those products have a zero tariff and are ordered in advance. Consequently, they are not affected by immediate facts," an economic team member explained.

Polls View Support for Official Anti-Inflation Policy

PY0606024095

[FBIS Editorial Report] Rio de Janeiro JORNAL DO BRASIL in Portuguese on 29 May publishes on page 3 four unattributed articles on a JORNAL DO BRASIL/ Vox Populi poll conducted between 20 and 23 May, during which 3,083 people of both sexes and various cultural, age, and income levels were interviewed in various regions of the country.

The first 250-word article reports an increase in the number of people who believe that things will improve as a result of President Fernando Henrique Cardoso's actions, from the 42 percent registered in April to 44 percent in May, and adds that 32 percent of those polled believe that things will remain the same. The article also states that while 17 percent of those polled in

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April believed that things would become worse, in May this number has increased to 18 percent. The number of those who believe things will get better had been decreasing — in February 56 percent of those polled, in March 51 percent, and in April 42 percent — but in May the number of those believing this increased by 2 percent to 44 percent. The article notes that the number of people who do not believe that things will improve increased from 27 percent in February to 30 percent in March and 33 percent in April, though it went down one percentage point to 32 percent in May. Finally, the article reports that the number of pessimistic people has increased from 10 percent in February to 12 percent in March, 17 percent in April, and 18 percent in May.

The second 170-word article views public opinion on whether the government can control prices, and notes that while most of those polled have a positive opinion of the government's anti-inflation policy, 44 percent believe that the inflation rate will again go up.

The third 290-word article reports that 75 percent of those polled believe Brazil has too many political parties; 11 percent believe the number of parties is suitable; while only 4 percent believe there are not enough parties. It adds, however, that 55 percent of those interviewed criticized congressmen's habit of changing parties; 57 percent believe the quality most required in a candidate is honesty; and 97 percent are not concerned about their candidates' political parties. The article also notes voters' lack of support for party coalitions and the small number of those polled, 27 percent, who believe that the current Congress is good.

The fourth and final 300-word article reports that the wealthier the voters are, the more interested they are in their candidates' "ideas and programs," and that 87 percent of wealthy voters oppose the large number of political parties currently existing in the country. The article adds that 45 percent of the wealthier voters are mainly interested in the honesty of their candidates, and that this number increases to 65 percent among the most destitute voters.

Banks Continue To Reap Gains in 1995

95SM0353A Sao Paulo GAZETA MERCANTIL in Portuguese 22 May 95 pp C-1, C-4

[Article by Sao Paulo correspondent Hilton Hida: "Banks Continue To Profit This Year"]

[FBIS Translated Text] Banco Boavista, part of the Docas group, had achieved exceptionally high profits, 71 percent, in 1994. It was a year of huge opportunities for gains on the exchange market and other cash operations. During the first quarter of this year, Boavista outdid itself; it obtained a 24.66-percent return on equity, which would mean roughly 100 percent on an annual basis.

The institution is an example of how Brazilian banks have already adapted to low inflation rates and learned to take advantage of high interest rates. Judging from the quarterly results of 15 of them, most had profits equal to or higher than in 1994. And the most profitable banks did well with credit transactions despite an increase in loan defaults.

"We have a portfolio of profitable, diversified loans," said Jose Alfredo Lamy, a Boavista director. The institution deals primarily with small and medium-sized firms, which enables them to charge a larger spread, and 70 percent of its earnings come from loans it has made. Bandeirantes and Noroeste, two other banks with high profits (8.6 and 5.9 percent), are following the same policy.

It is a strategy that dilutes risks during a period of higher loan defaults. At the end of March, nonperforming loans represented 1.1 percent of Unibanco's portfolio. At the end of December, the figure was 0.8 percent.

High First-Quarter Profits

Restraints on credit and the rise in defaults have not shaken the profitability of Brazil's banks. Judging by the quarterly results announced by publicly held institutions, the system is indeed adapting to the absence of the float (gains generated by inflation) and has taken advantage of high interest rates.

Brazil: Bank Profits(First Quarter Results, in thousands of reais)

Institution	Net Worth	Profit (Loss)	Return on Equity (percent)
America do Sul	287,707	17,512	6.09
Bamerindus	1,062,112	22,753	2.14
Bandeirantes	198,982	17,125	8.60
BCN	625,651	33,943	5.43
BFB	462,878	(212)	-0.046
Boavista	247,179	60,963	24.66
Bradesco	3,928,251	124,638	3.17
Economico	661,240	15,303	2.31
Itau	2,736,789	88,331	3.23

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Institution	Net Worth	Profit (Loss)	Return on Equity (percent)
Mercantil do Brasil	276,539	20,803	7.52
Mercantil do Sao Paulo	698,700	26,469	3.79
Nacional	948,242	45,440	4.79
Noroeste	278,181	30,553	10.98
Real	569,691	23,687	4.16
Unibanco	1,017,268	32,756	3.22

Source: Sao Paulo Stock Exchange

Only two of 15 banks whose assets exceed 100 million reais [R] and that reported their first-quarter results to the Sao Paulo Stock Exchange showed profit levels that, on an annual basis, would fall below 10 percent. Bamerindus, reporting profits of R22.753 million, had a 2.14-percent return on equity—or 8.84 percent if annualized according to exponential smoothing criteria. Banco Economico had 2.31 percent. Both are lagging behind 1994's performance.

These two are exceptions. In most cases, bank earnings held steady or improved over last year. "The first quarter of this year was better than the second half of 1994," said Paulo Guilherme Monteiro Lobato Ribeiro, president of Banco Real, whose commercial bank (Real is not a multiple-service bank) had a 4.16-percent return. He does not think that, over the course of this year, bank profits will greatly exceed last year's, but notes that considering the months under the new currency, "productivity has risen and expenses declined" in 1995.

Even Banco Mercantil de Sao Paulo, a highly capitalized and conservative institution when it comes to lending, a bank that usually shows small profits, recorded impressive earnings. Its profitability, 3.79 percent, projects at over 13 percent on an annual basis. In all of last year, this figure was 5.5 percent.

Tight money policy must have helped Mercantil de Sao Paulo. Among this quarter's most profitable banks are institutions that monitor the quality of their loans and try to scatter them among many clients in order to reduce the risk of default (which everyone admits has increased).

Boavista is the biggest example. A champion in profitability last year, at 71 percent, the bank needed only three months of 1995 to post a return of 24.66 percent. "Our credit portfolio is fully diversified," said Ricardo Cesar Lima de Azevedo, director of the comptroller's office. He said 70 percent of the institution's earnings come from credit transactions, and the rest from cash transactions. Boavista concentrates on serving small and medium-sized companies.

This the same market segment being exploited by Bandeirantes and Noroeste, two other fairly profitable banks. "That segment offers a bigger spread," said Jayme Marques de Souza, director general of Noroeste, whose actual profitability was 5.9 percent (the profit of R30.553 million means a 10.98-percent return, but R14.89 million of this is a write-off of the PIS [Social Integration Program, a profit-sharing mechanism]).

Higher interest rates do not dispel concerns about risk. "Our credit policy is rather recessionary," said Manoel Carvalhal Gomes, CEO of Bandeirantes, whose profits this quarter were equivalent to 8.6 percent of equity. The bank's portfolio grew by only 5 percent during the period, and nonperforming loans remained stable.

As a precaution, Bandeirantes has increased its reserves. Other institutions were forced to do so by higher default rates. Unibanco ended the quarter with R72 million in troubled loans, up 53 percent over December's figure and representing 1.1 percent of its portfolio, compared with 0.8 percent.

In general, assets have risen modestly. According to Boavista's Lima de Azevedo, this is because of Central Bank restrictions on attracting time deposits. Even so, Boavista expects to maintain high profits in the second quarter, concentrating on credit transactions. The bank also earned money on cash transactions but, as Marques de Souza of Noroeste said, "unlike 1994, this is not a banner year for cash operations."

Chile

Contreras Followers Threatening Release of Sarin Gas

PY0506184395 Buenos Aires TELAM in Spanish 0036 GMT 5 Jun 95

[FBIS Translated Excerpt] Santiago, 4 Jun (TELAM-SNI) — Paramilitary groups close to General Manuel Contreras, the former head of the secret police during the military dictatorship (1973- 90), have threatened to release Sarin gas in the Santiago subways if Contreras is imprisoned as ordered by the Supreme Court.

According to the report released today by the influential newspaper EL MERCURIO, cited by DPA, the terrorists have also announced that they will attack government and congressional officials if the seven-year sentence against Contreras is not revoked.

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The Chilean general was condemned for ordering the assassination of former Chilean Foreign Minister Orlando Letelier in 1976, in Washington.

EL MERCURIO added that "security measures have been redoubled" (throughout the country), and reaffirmed that Contreras, who is entrenched in his ranch in the south, is willing to resist his arrest with gunfire if necessary.

Contreras, who has warned that he will not spend a day in prison, is reportedly protected by a dozen former subordinates who worked with him in the feared National Intelligence Directorate (Dina), which repressed political dissidents during the first years of the dictatorship.

These men are ready to prevent the arrest of the general and "they are well armed," according to the newspaper, which reported that there is a large amount of military equipment at the "Viejo Roble" ranch, where Contreras is currently staying.

Moreover, some 30 commandos of the current Army Intelligence Directorate (Dine) are reportedly guarding the general. These men, according to EL MERCURIO, would reportedly abandon the general only when the courts order his arrest.

Another dozen former aides of the general, who have been watched by the police, last week "mysteriously" disappeared from their homes, according to EL MERCURIO. There is fear that they could conduct some attacks in support of the retired general.

The government, which had said it will use all force necessary to ensure fulfillment of the sentence, feels that a confrontation between the police and the sentenced general will only aggravate the general's situation, because he would also be tried for illegal possession of weapons.

The Army has reported, however, that it will respect the ruling, which also affects Brigadier Pedro Espinoza, who is still on active duty. Espinoza already announced that he will serve the six-year prison sentence imposed on him by the Supreme Court. [passage omitted)

Insulza Confirms Message to Frei From President Clinton

PY0506145095 Madrid EFE in Spanish 2320 GMT 3 Jun 95

[FBIS Translated Excerpt] Santiago, 3 Jun (EFE) — U.S. President Bill Clinton sent a letter to Chilean President Eduardo Frei congratulating him for his political leadership during the trial concerning the murder of ex-Foreign Minister Orlando Letelier.

This information was confirmed by Chilean Foreign Minister Jose Miguel Insulza, who explained that the letter was delivered this morning to President Frei by U.S. Ambassador Gabriel Guerra-Mondragon.

Guerra-Mondragon came to La Moneda Presidential Palace with a delegation of 11 U.S. congressmen who are here to obtain information regarding the entry of Chile into NAFTA. [passage omitted]

Pinochet Rejects Clinton Message

PY0506150995 Madrid EFE in Spanish 1318 GMT 5 Jun 95

[FBIS Translated Text] Santiago, 5 Jun (EFE) — General Augusto Pinochet has said that the situation of [retired] General Manuel Contreras, who was sentenced to seven years' imprisonment for the assassination of Orlando Letelier, is a problem between him and the courts, and, therefore, he must solve it in accordance with the law.

In an interview released last night by Channel 13 Television, Pinochet for the first time referred to the Supreme Court decision to sentence Gen. Contreras and Brigadier Pedro Espinoza, and said that the Army will respect the ruling and those responsible must serve their sentences.

Pinochet, who spoke from the town of Iquique, 1,857 km north of Santiago, said he had always believed in Contreras when he defended his innocence, and that for this reason, the ruling affected him, but "this is a personal problem involving sentiment."

Pinochet said he has doubts about Contreras' and Espinoza's right to resort to a higher court [tercera instancia de apelacion], and added that he is not a lawyer, but that he understands the Constitution establishes as a right the existence of three judicial instances.

Pinochet, who is 79, refused to give an opinion on whether the trial of Contreras and Espinoza was political, but said that he believes the judges "speak for justice," although he admitted that he had never thought his subordinates would be sentenced.

When asked about Contreras' possible resistance — considering that he remains entrenched in his farm, "Viejo Roble," 1,000 km south of Santiago — to the arrest warrant against him, Pinochet explained that the Army will not interfere.

"That is his problem, and not that of the Army or of his commander in chief," Pinochet said. The former military ruler (1973-90) also rejected the note of congratulations

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President Bill Clinton sent to his Chilean counterpart, Eduardo Frei, for the solution of the Letelier case.

According to Pinochet, the congratulatory message represents meddling in the domestic affairs of Chile, and he added that the country "is no one's colony, but rather is independent."

Embassy in Nicaragua Occupied, Ambassador's Husband Kidnapped

PY0506213995 Madrid EFE in Spanish 1829 GMT 5 Jun 95

[FBIS Translated Text] Santiago, 5 June (EFE) — Acting Foreign Minister Mariano Fernandez reported today that the Chilean Embassy in Nicaragua was occupied by three hooded individuals who kidnapped Ivan Enrique Paniagua, husband of Ambassador Laura Soto.

Fernandez said the incident occurred at 1730 GMT today when three hooded individuals, who said they were members of a group called "380," broke into the Chilean Embassy in Nicaragua brandishing guns.

Chilean Foreign Ministry sources told EFE that the individuals did not make demands or explain the purpose of their action, adding that after remaining a few minutes in the premises they left, taking Paniagua with them.

Before escaping the criminals left a package at the embassy, and told employees it was a bomb. The Nicaraguan police cleared the area. The sources said Chilean Interior Minister Carlos Figueroa has been informed of the incident.

Chilean authorities called the Nicaraguan Embassy in Santiago. The sources said the matter is being handled by the two governments.

Ambassador Laura Soto was a senator between 1990 and 1994. She was also an outstanding human rights advocate during General Augusto Pinochet's military regime in Chile.

Colombia

Samper Orders Investigation of Cali Bomb Explosion

PA0406032795 Madrid EFE in Spanish 2101 GMT 3 Jun 95

[FBIS Translated Text] Santa Fe de Bogota, 3 Jun (EFE) — Colombian President Ernesto Samper today ordered an investigation into Friday's explosion of a low-powered bomb near a Cali Air Force base while Defense Minister Fernando Botero Zea's airplane was taking off.

Minister Botero himself said that "things are not absolutely clear yet" on the apparent attack carried out by alleged guerrillas outside the "Marco Fidel Suarez" Air Force base, which caused some damage to the military base surroundings, but no personal losses.

The explosion took place as the minister's airplane — an Air Force jet-propelled "Cessna Citation" — was taking off bound for Santa Fe de Bogota with Police Director General Rosso Serrano Cadena and other persons on board.

An alleged guerrilla group, previously unknown, the "Manuel Cepeda Front" [Frente Manuel Cepeda], which identified itself as part of the Revolutionary Armed Forces of Colombia (FARC), claimed to have carried out the explosion in telephone calls to a radio station.

Manuel Cepeda was a popular leader and a parliamentarian belonging to the communist Patriotic Union party, who was killed last year on a Santa Fe de Bogota avenue.

Samper said that it is "reckless" to blame the explosion on area drug traffickers — the target of intense official persecution — or guerrilla groups with which peace talks are being arranged.

"It is better to await investigations to develop to determine with a cool head and without haste what occurred. As far as I know, it was not inside the base, but a few kilometers away," the Colombian president said.

Minister Botero, other high-ranking officials, and military and police leaders traveled to Cali on Friday to accompany Samper to sign the National Development Plan law in front of entrepreneurs from the Valle del Cauca area.

The presidential airplane was parked at the same Air Force base, but it had already taken off minutes before, bound for the country's capital.

Cali Murders Possibly Drug-Related

95CA0247B Santa Fe de Bogota EL ESPECTADOR in Spanish 16 May 95 p 6A

[FBIS Translated Text] Cali—The many murders committed in this city during recent months (apparently due to problems arising among Cali Cartel members) have started to be investigated by the authorities. They believe that the killings have been ordered to eradicate any type of clue to the top echelon of that organization's network.

One official from the Cali Task Force commented: "The investigations are aimed at determining whether the

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series of deaths that have been recorded during the past few months are the result of retaliations, or the settling of scores. We know that many individuals have unpaid debts due to the lack of liquidity, because of the control being exercised over bank and corporation accounts."

He added: "Yesterday, on the highway leading to Puerto Tejada, two cars were found incinerated, but without any bodies. It is possible that the series of murders could be related to the state of harassment affecting the cartel chiefs."

The victims include architects, construction foremen, workers from the Emcali Telephone company, ex-customs officials, drivers, ex-bodyguards, and young *traquetos*, that is, mid-level chiefs of the drug cartels.

Meanwhile, the operations carried out until yesterday by the Cali Task Force's Special Joint Command have made it possible not only to crack the Cali Cartel's financial foundation, but also to undermine the support from certain sectors of the citizenry for the drug traffickers.

One of the Task Force commanders claimed: "At first, it was very difficult to obtain the citizens' help, but now most of the operations are a result of their cooperation. The Valle del Cauca residents know that this is as criminal an organization as that in Medellin, the only difference being that those in Cali bury their dead or make them disappear."

Yesterday, the agency had a brief respite after the exhausting work over the weekend, when a number of raids, searches, and operations were conducted throughout all of Valle del Cauca. The commanders submitted a report in the Colombian capital to Defense Minister Fernando Botero, and will return to their work assignments today.

This week, the Task Force's action will be extended to northern Cauca, where the network of laboratories for processing cocaine and heroin has been set up.

Zuniga: Military Supports Peace Proposal

95CA0247A Santa Fe de Bogota EL TIEMPO in Spanish 19 May 95 p 7A

[Article by "special correspondent" Bibiana Mercado]

[FBIS Translated Excerpt] Bucaramanga— "Concessions are made only by the one with sufficient capacity to make them." This was the final comment from General Camilo Zuniga Chaparro, commander of the Military Forces, upon concluding the ceremony held here to formally sign the presidential commitment to demilitarize rural areas of La Uribe, Meta.

He added: "The decision that has been made was discussed with the Military Forces, which are willing to support what the president of the republic, who is their supreme commander, decides."

Defense Minister Fernando Botero Zea, for his part, remarked: "The Army will not leave La Uribe. President Samper has said that it would be concentrated in the municipal capital, in the event there is a clear, unequivocal expression of a will for peace and negotiation on the part of the FARC [Revolutionary Armed Forces of Colombia]."

President Samper's announcement was well received among Armed Forces officers, because it maintains the presence of detachments from the Vargas and Alban Battalions in the municipal capital, which is the headquarters for several military garrisons and has a training runway.

According to military commanders, there are currently patrol units from the First Mobile Brigade in the 7,000 km comprising La Uribe, and in the area near Casa Verde.

Government Minister Horacio Serpa Uribe described the fact that President Samper has taken the initiative in this respect as "considerable progress."

In fact, the dispute between the government and the FARC over holding the first meeting had been concentrated on the extent of the demilitarization of this municipality (which covers 7,119 square km).

With Samper's announcement, the ball is now in the FARC's court. The subversive group must decide to make its willingness for dialogue public. [passage omitted]

Popularity of Public Officials Gauged

95CA0248B Santa Fe de Bogota EL ESPECTADOR in Spanish 16 May 95 p 5A

[Unattributed article]

[FBIS Translated Text] Santa Fe de Bogota—The nation's attorney general, Orlando Vasquez Velasquez, enjoys a good image in the eyes of the country, based on the poll taken by the National Consulting Center for EL ESPECTADOR and CM&.

According to those polled, Vasquez Velasquez has a positive image in the view of 61 percent, whereas 20 percent consider it negative.

On the other hand, the comptroller general of the republic, David Turbay Turbay, does not enjoy the same acceptance, because his image is regarded as positive by only 29 percent of those who responded to the poll. A

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total of 56 percent said that the comptroller's image was negative.

The poll includes other questions, such as: Have you learned of the possibility that a stay by Comptroller David Turbay at the Hotel Intercontinental in Cali may have been paid for by the Cali Cartel? In response, 84 percent claimed to have been informed; 8 percent said that they were not; and 8 percent of those queried opted for another response.

Technical Record

The technical record for the poll is the following: contracting company: EL ESPECTADOR and CM&. Polling company: National Consulting Center. Collection date: 12 May 1995. Universe: persons over age 18 residing in Bogota, Cali, Medellin, Barranquilla, and Bucaramanga. Sampling methodology: stratified random sampling in households. Interview technique: telephonic. Size of the sample: 1,000 persons. Topic: public opinion of the attorney general and comptroller general. Maximum sampling error: 3.1 percent.

Opinion Poll Results

Image of the attorney general, Orlando Vasquez Velasquez [figures are percentages]	
Positive	61
Negative	19
Other response	20
Do you think that the Attorney General's Office operates forcefully or with a certain amount of tolerance?	
There is a certain amount of tolerance	63
With complete forcefulness	28
Other response	9
Image of the comptroller of the republic, David Turbay	
Positive	29
Negative	56
Other response	15
Do you think that the function of the Comptroller's Office to oversee public monies is being discharged properly or improperly?	
Properly	23
Improperly	70
Image of the attorney general, Orlando Vasquez Velasquez [figures are percentages]	
Other response	7

Source: National Consulting Center, EL ESPECTADOR, and CM&.

Twenty-Seven in Military, DAS Charged With Torture

95CA0248A Santa Fe de Bogota EL ESPECTADOR in Spanish 16 May 95 p 6A

[FBIS Translated Text] Santa Fe de Bogota— The Attorney General's Office has brought charges against 27 members of the Army, the National Police, and the DAS [Administrative Department of Security] for their presumed participation in torturing various citizens during incidents occurring in various parts of the country.

Consequently, seven members of the Army, 17 of the Police, and three DAS detectives will have to explain their behavior to the commissioner for human rights.

In one case, Captain Henry Piraquiva Calcedo, Sergeants Victor Liz Cardenas and Carlos Munoz Clave, and Corporals William Cuervo Sanchez and Carlos Prada Vallejo, attached to the Army's 32d Infantry Battalion with headquarters in Carepa (Antioquia), will have to answer for the deaths of four persons in incidents that took place during November 1992 in Turbo. There, "they violently invaded the residence of Maria Idali Martinez de Parra, who was with Mario Morales, Mariela Guisao, and a minor. The members of the military killed them without a writ for taking action, even though they did not put up any resistance."

Major Orlando Galvis Duran and Lieutenant Colonel Luis Alfredo Rodriguez Perez (of the police), for their part, as well as Army Sergeant Gelacio Galindo Pedraza, assigned to the Medellin Unase [Antikidnapping Units], will have to explain the detention of three persons whom they subjected to cruel treatment, such as burning their faces with cigarettes.

Army Major Herwin Camacho, DAS detectives Ricardo Arzuaga Salazar, Hernan Oviedo, and Leonel Pardo, as well as agents Jose Jimenez Lerma and Orlando Bolanos Muriel, of the Popayan Unase, must explain the illegal detention of three other citizens.

Charges also were brought against Colonel Carlos Orlando Meza Gomez, of the Santander Police operational command; Lieutenant Oscar Valencia Baron and Second Lieutenant Alfonso Ortega Gomez; as well as Major Luis Orlando Galvis Duran, Lieutenant Pedro

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Novoa Trujillo, and Second Lieutenants Diego Castro and Miguel Roa Ramirez; agent Fernan Esparza Blandon, and Sijin [Judicial and Investigative Police] agents Jorge Moreno Cruz, Daniel Artunduaga, and Simon Nomelin Silva.

Businessmen Voice Concern About Economy

95CA0244A Santa Fe de Bogota SEMANA in Spanish 23 May 95 pp 42-49

[Unattributed article]

[FBIS Translated Text] Barranquilla was hot last Tuesday morning, and not just because, during these May days in the Atlantico capital, the cool breeze is no longer arriving from Bocas de Ceniza. On this occasion, the high temperatures were brought on by the representatives of the Colombian manufacturing sector, who had gathered in the city to attend the meeting of the Board of Directors of the National Association of Industrialists [ANDI].

What is usually an occasion for exchanging views and airing ideas became, within minutes, a uniform complaint. Each of the attendees told the others that business in his company was in a nosedive, and that the April results, in particular, had been frankly discouraging. "I arrived worried, and left depressed," one of those attending the meeting told SEMANA.

A few hours later, the same group made its entrance into the presidential palace. The meeting had been arranged several weeks earlier for the purpose of holding a candid dialogue, behind closed doors, with President Ernesto Samper. During the 90 minutes that the meeting lasted, only two topics were discussed: the problems with the United States and the difficulties of industry. While the business owners adopted a dejected tone, Samper made it clear that, at least insofar as the economy was concerned, he was in no hurry.

And it was not without reason. The statistics in the government's possession indicate that things are going well with respect to inflation, production, and employment. The fact that there is confidence in the country was made clear to the finance minister last week in New York, after scores of Wall Street bankers and investors gathered to listen to him in Manhattan. To complete the picture, last Friday, the sale of Bancoldex [Foreign Trade Bank] bonds totaling $110 million was consummated on the international markets. This was the first successful transaction of a Latin American economy since the recent crisis in Mexico.

However, that calm situation was insufficient to turn off the warning lights. At the week's end, the alarms were sounding with an intensity not heard since the last administration decided to hasten the economic liberalization process. The ANDI president, Carlos Arturo Angel, claimed: "There are no longer sectors doing well and sectors doing poorly. Those that were doing poorly are doing worse, and those that were in the driver's seat have been left out of gas."

Slamming on the Brakes

This assessment does not fail to be surprising when compared not only with the government's accounts, but also with the celebrations at the beginning of the year. Just five months ago, the National Planning entity committed itself to a six-percent growth rate for the economy in 1995: the highest figure in the past 17 years. It also signed the Social Pact with trade unions and business owners, for the purpose of bringing inflation to 18 percent.

Today, the reality has another side. Although it is believed that the economy still retains something of an impetus, the impression in the private sector is that growth has run out of gas. The president of Uniban [Banana Workers Union], Juan Felipe Gaviria, declared: "We have lost the plane's engine, and now we are just gliding."

The most obvious evidence of this state of affairs is what has happened to the construction sector. It had nearly three years of expansion, and both its own people and those outside knew that, in 1995, the cost of things would be different. However, what no one expected was that the slowdown would become a slamming on the brakes. As the builder, Pedro Gomez, remarked: "Instead of a soft landing, we suffered a belly flop."

And, although there were many experienced soldiers on that battlefield, the demand problems have been passed on to other sectors. The large chain department stores have detected an obvious slowdown in their sales. German Jaramillo, president of Cadenalco, added: "That proves that people don't have enough money in their purses."

Although it is too early for the decline that became marked in April to be noticed on the companies' balance sheets, a glance at the indicators at the beginning of the year reveals that some problems were already predictable. The business owners' polls taken by the ANDI and Fedesarrollo [Federation for Development] until February showed an increase in inventories and lower expectations for the future.

On the other hand, a report prepared by Associated Brokers, based on the figures from 109 companies in the productive sector enrolled in the National Securities Register, showed that, whereas sales at the close of the

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first quarter rose 24 percent over the figure for the same period of the previous year, earnings increased by less than 18 percent. In other words, at that point, there was a still slight, but perceptible, reduction in profit margins.

Even the figures kept by the Superintendency of Corporations on agreements between insolvent entities and creditors to avoid bankruptcy reveal a deterioration. This year, 17 processes already have been accepted, involving assets totaling 398 billion pesos; whereas in all of 1994, 27 agreements between insolvent entities and creditors were accounted for, with total assets of 169 billion pesos.

The Factors

The causes of the misfortune are varied, and include both economic factors and expectations stemming from the complex political situation being experienced by the country. In the former group, the most obvious villain is interest rates, the real levels of which (above inflation) have reached nearly 25 percent for financial sector loans (between 45 and 50 percent annually, in nominal terms). That level, more than 10 points higher than traditional rates, has put an end to the stock market, and has increased the costs of credit for everyone: from business firms to debtors in the Upac [constant purchasing power unit] system, including credit card users.

The rise in interest has been inspired by the Bank of the Republic Board of Directors—which, for some time, has been concerned with moderating the expansion in the loans portfolio, based on the theory that the economy must be cooled a little so that inflation will decline. Nevertheless, despite the higher cost of money, it was not until a few weeks ago that the demand for loans began to drop. For the present, the Board does not intend to loosen the tourniquet, because it wants to see the inflation figures respond, and in addition is concerned over the rise in public spending. As one of the bank's board members told SEMANA: "If the government doesn't cut its spending, the only means of reducing inflation is to exert pressure on the private sector."

And the pressure does not come from that side alone. Contraband, which has for some time been part of Colombian life, has reached enormous dimensions, and "is progressing with lightning speed," according to the ANDI president. Although, last week in Medellin, decided action was finally taken by the authorities against an extensive zone with illegal businesses, that gesture is merely a drop in the bucket to check the unfair competition that has debilitated textile and ready-made clothing producers, to cite just a couple of examples.

As if the foregoing were not enough, the tax streamlining bill that the government submitted to the Congress during the second half of April has been met with loud repercussions. The reform raises income taxes, eliminates a large number of deductions, and increases widely debated rates such as those for the so-called presumptive income. The combined effect is a blow to the private sector representing nearly 800 billion pesos per year. One angry Antioquian businessman concluded: "And your patience becomes exhausted when you see that this money is not going to be used for more works projects, more doctors, or better schools. The entire reform will be used to pay for the salary increase given to teachers who, with their strike, frightened the government."

The heavy economic climate is combined with a political environment that is by no means encouraging. On the international front, the problems with the United States have deeply penetrated an entrepreneurial class obviously convinced that the White House is willing to ride roughshod over Colombian exporters on account of the antidrug policy.

In the internal area, for its part, the proposal for political reform now heading toward constitutional reform did nothing but strain an atmosphere already muddled as a result of the rumors stemming from the "narcocassettes" and the offensive against the Cali Cartel. The peace strategy is not helpful either, and has been interpreted as a symbol of the government's weakness, particularly among an entrepreneurial class that has been hard hit by the phenomenon of insecurity.

In view of all those factors, it is not surprising that there is confusion and concern in the private sector. Nevertheless, the proportions cannot be overlooked. Although, on the economy's control board, many signals have changed from green to yellow, the country is still far removed from a recession (see interview). In the worst of cases, growth in 1995 should easily top the four percent mark, and could even reach five. Sectors such as exports show encouraging signs, thanks to the increased devaluation, and the demand remains strong in industries such as the automotive.

Nevertheless, the government must understand that there are grounds for the present anxieties. The fact that the figures for the last quarter are still satisfactory is not sufficient argument for claiming, two months later, that the country is continuing to do equally well. A leader from the coffee producing center explains: "The president of the republic has a view of overall figures, which is good, and business owners have a day-to-day view, which is bad." And if things continue to be viewed differently, sooner or later the reality will bring more than one surprise.

Certain obstacles to the government's plans have not helped anything. The construction companies were

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hoping that the highways based on concessions would help them but, despite over 15 contracts signed, none of them is progressing as it should, because of delays in the negotiation of properties on the part of the Invias, or the time that it takes to obtain the environmental permits. According to Sergio Uribe, president of Samper Cement, "The infrastructural plans have been a failure. There have been no public works, nor housing for social benefit."

Philosophical Concept

According to some analysts, this is all associated with the Samper administration's philosophical concept, more inclined toward the State's greater presence in the economy. That bias in favor of the public sector would explain why it is thought that the private sector is the one that must make the sacrifices now. Without entering the debate, what exists is an appreciable change of style, compared with the Gaviria period, in which business owners gained considerable space. Carlos Caballero, president of the Bogota Stock Exchange, stressed: "The government must decide whether it wants a capitalist country or not."

On the other hand, there is the impression that it is impossible to attain many of the goals set by Samper in time. According to ex-Minister Rudolf Hommes, "There are many measures, and many announcements, but there is very little coherence." And, although the government defends the consistency of its actions, there is every indication that events will not prove it right. More of the State's money will be spent, but it is possible that unemployment will rise, owing to the crisis in construction. Inflation will decline, but surely at the cost of a healthy private sector and investment rate.

It is this latter factor, precisely, that most concerns the analysts. According to Eduardo Lora, director of Fedesarrollo, "What could happen to the investment climate is more of a concern than growth." That fear is due to the fact that, during recent years, Colombian business owners replaced machinery and brought in new technology at rates seldom seen. This behavior is a kind of assurance of confidence in the economy's potential for growth, and lends the productive system greater strength. But if investment drops as a result of a combination of higher taxes, higher interest, and more expensive dollars, as a report written by ex-Minister Mauricio Cardenas suggests, the pigeons of a real recession in the productive sector of the economy could be hatching.

In this entire gloomy picture, the most positive aspect lies in the fact that the current tight situation could be limited to a mere scare, if the government reacts in time. A cut in public spending or a moderation in the tax reform could convince the Bank of the Republic that it is possible to ease up on the brake, thereby allowing a reduction in interest. Moreover, decided measures against contraband would improve the health of the sectors hurt by unfair competition. Such action would send the private sector a signal that there is space for investment and for growth.

So, the question is whether Samper and his team can overcome their fear and agree to reduce the prodding to the Social Leap a little. Whether the present fears of recession are dispelled, and the alarms sounded last week at the presidential palace enter the sleep of the righteous, will depend on the response from the current administration. Ultimately, it is a matter of preventing private business owners from breaking their piggy bank, and from being able to claim within a few months that their time—the time of the people—has come, too.

[Box, p 46]

If there was any sector of the economy that was happy over Ernesto Samper's election as president of the republic it was that of the farmers. They all trusted that their critical situation would be alleviated, and that the promises of helping the Colombian farming area and adopting measures to make it more competitive would become a reality. However, the honeymoon did not last long. During the past two weeks, the voices of alarm changed their tone, and the rice producers announced that they would go on strike if something were not done. The coffee growers made clear their critical situation resulting from the coffee borer, and the grain growers sent an open letter to Samper asking him to lend them a hand, to help extricate them from their problems.

After so many complaints, the government acted: It adopted the most drastic protective measures that have been enacted during a time of economic liberalization. What the administration did was to prohibit imports of rice coming from Venezuela until December, impose a 20-percent tariff on imports of sugar through Venezuela, and establish corrective duties for corn purchases.

The farmers received the measures well, although they were not left totally satisfied. Rafael Hernandez, manager of the Rice Growers Federation [Fedearroz], told SEMANA: "The interest in responding to our concern was evident, but these are temporary measures. There is still a need for structural measures, which could even include a revision of the commercial agreements, and higher tariffs applied to third countries."

The rice situation is particularly critical, because Colombia changed from being an exporting country to an importer, with the aggravating factor that the producers argue that there are instances of unfair competition.

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Last year alone, approximately 230,000 tons entered the country, compared with 35,000 in 1993. As for the planted area, in 1994 it remained stagnant at 320,000 hectares; whereas the initial projection was for 350,000.

The grain situation is no less worrisome, because corn imports exceeded a million tons in 1994, reducing the prices of the harvests. Furthermore, since the agreement on sorghum absorption was not fulfilled in various regions, the growers had to sell at prices lower than those agreed upon. According to the National Federation of Grain Growers [Fenalce], the sector has lost over 120,000 hectares of crops, 250,000 tons of annual production, and about 20,000 jobs. Its president, Adriano Quintana, made this comment regarding the measures: "The government listened to our demands, but the decisions still need refinement. Furthermore, they must be supplemented with long-term policies."

The government claims that its decisions are called for in the Andean integration accords, and that they have never contradicted the philosophy of economic liberalization at any time. Nevertheless, they do indicate a changing trend in the country's commercial policy. Perhaps for this reason, there are critics who believe that the cure could prove worse than the disease. The director of economics at Xaverian University, Luis Alfonso Torres, thinks: "There has been a return to the use of partial incentives (for each sector), instead of a general economic policy. This encourages the lobbying' of those who believe that if you don't speak up, you won't get what you want.' Not to mention the effects that it could have for commercial retaliation on Venezuela's part, and all the more so when we are not experiencing the best time in our political relations." And there are also some who believe that only the problems of a few productive sectors were solved, while complaints are continuing to come from producers of cotton, coffee, and bananas, and from flower growers, among others.

However, it will be up to the government not only to deal with the criticism and likely retaliation, but also to make a decision on a debate that is approaching: What is to be done about the commercial agreements, because the trade unions are asking for a revision of the Andean Pact? Even the agriculture minister, Antonio Hernandez Gamarra, thinks: "We must reflect on Andean integration in this respect, because there is inequality, since agriculture is not so important a sector for for Venezuela as it is for Colombia." Nevertheless, the vice minister of foreign trade, Mauricio Reina, believes: "It is true that the common external tariff and the price brackets are imperfect, but we are making sure that, while we are fixing the defects, there will be efficient corrective elements. What we should attempt is to make use of those elements, because, if this is not done, there could be a setback in Andean integration."

However, apart from that debate, the government must concern itself with preventing the advancement of the idea of yielding to the pressure from those using hard language. Sufficient mistakes generated last week's measures and, although the pressure was successfully reduced, at the end of the story the worst outcome was reached: that in which no one (neither the farmers nor those defending economic liberalization) has been left happy.

[Box, pp 48-49]

Finance Minister: The Economy Has Been Bolstered

[SEMANA] For the first time thus far in this government, the amount of complaining on the part of business owners has reached an audible level. Do you believe this to be a reflection of a difficult time for the economy?

[Guillermo Perry] We foresaw a minor slowdown in the economy this year, as a result of the implementation of a more restrictive fiscal policy and monetary policy, which will guarantee attainment of the inflation goal of 18 percent. Nevertheless, it is true that in sectors such as construction, the decline has been sharper than we had expected, because interest rates rose more than we would have desired. That is a result of two factors: In view of the evidence that inflation has not dropped as expected, the Board of Directors of the Bank of the Republic decided to continue with a restrictive monetary policy. And the other is that the portfolio of the financial system has grown beyond what is compatible with the monetary goals.

[SEMANA] To some (including the Bank of the Republic's Board of Directors), the solution would be for the government to spend less.

[Perry] It cannot be denied that the growth in public spending is high, although it is less than last year. However, the government has no control over the growth of transfers or in some types of investment. We have reviewed the semi-annual goals with the Bank's Board, and the technical documents show that we are heading in the direction planned. However, if there are signs that the pressure on the economy will be severe, we shall insist on trying to prevent it, even by reducing spending.

[SEMANA] The other major complaint from business owners is the issue of contraband....

[Perry] In June, the new customs system will begin operating. With the certifying companies, underbilling and technical contraband will be possible to curb. And,

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as for the usual foreign trade, it will be conducted efficiently, and will require less attention from the Dian [National Customs and Tax Directorate]. Besides, the crash plans with the Armed Forces and the Prosecutor General's Office are starting to bring results.

Unfortunately, the previous administration made a very naive reform of customs (as if it were for angels), because it was based on the idea that people would bring in what they wished. But, later, when you looked at the books and warehouses, you couldn't find the one who brought in the goods. That was an enormous mistake, together with the premature merger of taxes and customs, which almost caused customs to disappear at a time when the drug traffic found the channel for laundering dollars through the financial sector closed. That brought contraband to terrifying levels. But we trust that the situation will change.

[SEMANA] How do you view the trade unions' attacks on tax reform?

[Perry] We opted for a more complex reform than the usual type, from the political standpoint, because the easy way would have been to raise rates. The difficult part is closing channels for dodging and evasion, because, although that is more suitable in the long term, it makes everyone's shoe pinch somewhere. What we observed in the trade unions' march for the Chamber's third commission was a few statements which, instead of assessing the reform as a whole, were limited to indicating where each one's shoe was pinching. That has given the impression that it doesn't please anyone. In fact, no one likes to pay more taxes, and anyone with advantages enabling him to reduce his tax burden protests when they are changed. Besides, very effective instruments for curbing evasion, such as the presumptive income, are never popular.

[SEMANA] Do you believe that the reform will manage to be passed in this legislature?

[Perry] Unfortunately, time is very short—among other reasons, because it took us too long to obtain approval of the Development Plan, which was necessary for debating the tax reform. Furthermore, the political events of recent weeks have delayed the process somewhat; but at least we are hoping that it will go through.

[SEMANA] Returning to the overall issue, it is claimed that the measures affecting the agricultural sector are another blow to the economic liberalization program.

[Perry] From the outset, this government declared that it considered the defense of domestic production from unfair competition to be fundamental. And what distinguishes us from previous administrations is that we are not afraid to use the instruments provided by both the Andean Group and the GATT for protecting national production against acts such as triangulation. And when there is evidence of underbilling, we shall not hesitate to apply the device of minimum prices. That is being done by any industrialized country, and I see no reason why we can't do it.

[SEMANA] But does the economic liberalization program have nothing to fear?

[Perry] Nothing at all. On the contrary, I believe that the process is becoming consolidated. The greatest threat facing the economic liberalization program was revaluation, and we have managed to curb that. So, despite the signs of a slowdown in sales, the complaints from certain exporting sectors have almost completely disappeared.

[SEMANA] How do you view the Social Pact?

[Perry] The technical reports from the Bank of the Republic show us that, although it could have turned out better for us, it has not done us any harm, and that we shall be able to reach the goal of 18 percent, provided that we continue expending efforts, because there is a clearcut downward trend.

[SEMANA] How would you rate the health of the economy?

[Perry] The national economy is in very good shape, and that is being observed from abroad. Something that gratifies us is that, whenever we leave the country, we notice that everyone is viewing Colombia and Chile as strong, dynamic, solid economies, with no short-term risks. Using medical terms, I view the economy as healthy but, like any healthy person, it needs to be constantly subjected to checkups, so as to detect any type of problem in time.

Pessimism Advancing (Gallup Colombia Poll)

In general, do you think that the situation in Colombia is improving or worsening? [figures presumed to be percentages]

	Dec 1994	Mar 1995	Mar 1995 [as published] (1)
Improving	38	29	25
Worsening	31	44	47

(1) 400 telephone interviews in Bogota, Medellin, Cali, and Barranquilla; males and females from all strata; margin of error: 5 percent.

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Ecuador

Deputy Foreign Minister Cited on Border Peace Process

PA0506130995 Quito Voz de los Andes in Spanish 2300 GMT 2 Jun 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuador's Deputy Foreign Minister Marcelo Fernandez de Cordoba has denied that Ecuador has asked Japan to mediate in the Ecuadoran-Peruvian border conflict. Fernadez de Cordoba noted that the purpose of Foreign Minister Galo Leoro's visit to Japan was to meet with Japanese authorities as a member of the Rio Group tribunal. At the bilateral meetings, Leoro informed Japanese authorities of Ecuador's position regarding the conflict and explained everything that had happened, but he never asked Japan to mediate.

Fernandez de Cordoba stressed that Ecuador's position concerning the peace process is based on the Itamaraty Declaration. According to this declaration, the observer nations must present proposals to the two sides which, in turn, will decide whether the proposals are acceptable.

The observers have already presented one proposal Ecuador has found to be inadequate. In turn, Ecuador has provided a number of explanations to the military delegates. The observers are engaged in a dialogue and will later discuss a new proposal with the two sides. Ecuador submitted its reply in Patuca and must now wait and see the position adopted by Brazil — the country that coordinates the efforts of the guarantors and observers. Fernandez de Cordoba said it is likely Ecuador's explanations have been conveyed to Brasilia for discussion and review by the guarantor nations.

When asked about possible risks in diplomatic negotiations with Peru, Fernadez de Cordoba said that, although this is a military issue, it has diplomatic implications. Furthermore, the conflict has certain implications that can affect fundamental issues between the two sides. Nevertheless, we will continue with the current peace process which, obviously, will be a slow process, given that the observers come from four different countries, each of which must express and coordinate its opinions with the others before informing the two sides.

Regarding the demilitarization process, Fernandez de Cordoba said the goal is to create a zone free of military forces to preclude any possible clashes that could jeopardize peace. Regarding the timeframe during which the zone will remain demilitarized, Fernandez de Cordoba noted that the sides pledged in the Itamaraty Declaration to hold direct talks to find an answer to this question. He said Peru must fulfill the peace agreements that have been endorsed by the four guarantor countries. We are undergoing a peace process, and once it concludes, both sides will be ready to initiate talks that could lead to discussions to resolve existing impasses.

Regarding the trust that should exist between the two countries, Fernandez de Cordoba referred to trade relations between the border towns of Aguas Verdes and Huaquillas, and he said there are still a number of problems preventing the normalization of these trade ties. He added that Peru has not yet withdrawn all of its military units from the area, although it is expected to do so within the next few days.

Regarding the exchange of prisoners, Fernandez de Cordoba said there are problems, but he added that negotiations are being held. Peru, however, has made certain demands regarding prisoners who are not considered prisoners of war. Nevertheless, efforts are being made to overcome this problem.

Finally, Fernandez de Cordoba said that if Peru's position regarding the peace process becomes more flexible, it will be possible to create a constructive atmosphere for future talks.

Finance Minister Calls Economic Measures Necessary

PA0506235995 Quito Voz de los Andes in Spanish 1700 GMT 5 Jun 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Ecuadoran Government has tried to explain the need to adopt a series of economic measures which the people are strongly rejecting. A wave of protests has been announced for this week.

Finance Minister Mauricio Pinto has said in a speech broadcast by all the television channels that the measures are necessary to prevent Ecuadoreans from suffering from skyrocketing inflation due to the alarming fiscal deficit caused by the war conflict with Peru.

The government has been forced to adopt these measures, which are the result of an intensive study and a highly responsible attitude, the only objective of which is to ensure the country's development and the welfare of all Ecuadoreans, he said.

To sacrifice the country's goals of development and growth and to accept skyrocketing inflation levels because of the war conflict would mean we have been defeated in our road to development, he added.

The Ecuadoran Government is preparing to face a wave of strikes and demonstrations this week that have been called to demand wage increases and to protest economic measures.

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The National Union of Teachers, comprised by some 110,000 public school teachers, will indefinitely suspend classes starting Monday. Health workers and doctors from the entire country are on a 48-hour strike. The Ecuadoran Medical Federation, of which 25,000 doctors are members, convened a strike despite the warnings made by Health Minister Alfredo Palacios, who has asked them to resort to a dialogue before calling for a strike. The doctors are reportedly demanding a budget increase to take care of the needs of hospitals and health centers. The measures imposed by the Ecuadoran Government have sparked a reaction by the country's production sector, which has described them as inhumane and unpopular.

The elimination of fuel subsidies to electricity, banana, shrimp, and industrial companies led to strong criticism against the government of President Sixto Duran-Ballen, and representatives of those sectors said production costs would increase and would have a negative effect on the inflation rates.

Moreover, cuts in the 349 billion sucre budget, approximately $149 million, have caused divisions with the cabinet, because the budget for certain ministries will also be cut.

There is uneasiness in the social front against the Finance Minister, according to Health Minister Alfredo Palacios.

Meanwhile, Ecuadoran Indian communities are studying the possibility of uniting for the protests and strikes. We reject the economic package and its impact, a Conaie [Confederation of Indian Nationalities of Ecuador] leader has said.

In addition, the judicial sector will continue with its strike to demand a increase in budget shares for its sector.

The Ecuadoran Government adopted new economic measures on 1 June, including an increase in its telephone and electricity rates to cover a fiscal deficit of $548 million, which is 3 percent of the GNP, primarily caused by the border conflict with Peru.

[Mexico City NOTIMEX in Spanish at 1545 GMT on 5 June transmits a 300-word, Quito-datelined item reporting that Ecuadoran Finance Minister Mauricio Pinto has ruled out the possibility of suspending foreign debt payments as an alternative to reduce the fiscal deficit the Ecuadoran Government is facing.]

Paraguay

Wasmosy Comments on Financial Crisis, Banking Problems

PY0506234695 Asuncion ABC COLOR in Spanish 3 Jun 95 p 10

[Summary of interview with President Juan Carlos Wasmosy by "Este Pais" television program host Benjamin Fernandez in Asuncion on 2 June]

[FBIS Translated Text] Commenting on financial institutions that operate outside the law, Paraguayan President Juan Carlos Wasmosy said emphatically: "We are not going to cover up for anybody. Let this be a warning to financial houses that operate mostly in the black market, because even though we do not want to trigger a run on these financial houses, we will come down on them harshly. We will devise a plan so that banking establishments and financial houses operating in the black economy can regularize their situation and then pay taxes like any other citizen."

He underscored that the Paraguayan Central Bank [BCP] will not insure all those deposits and operations made in the black market because that is not its responsibility, adding that savers who have complied with all the rules and regulations will have their money guaranteed. "Those who operate legally do not have anything to fear. On the contrary, they have their money insured by the BCP," he said.

Asked about the reasons for the delay in the solution of the problems affecting the financial system, the president explained that several draft bills had been sent to Congress to correct them, such as those related to the BCP (charter), the banks bill, the insurance bill, etc.

Wasmosy added that many banks had put their finances back in order. He conceded, however, that those that had not complied with the strengthening program established by the government "have been placed under trusteeship so as to safeguard the money of savers and account holders. There were many who tried to earn unrealistic interest on their money."

The head of state explained that the banks placed under trusteeship (Bancopar and Banco General) had committed gross violations of banking regulations. "They have no capital left at all, and face serious liquidity problems. These are objective facts. It is inappropriate, however, to mix up bank errors with alleged personal interests or frivolities," he said.

Commenting on the decision to place these banks under trusteeship, the president indicated that it was made with total impartiality and rigor. "There are no

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vested interests in making the banks fail in order to subsequently purchase them. Nothing of that sort. Savers may rest assured that their money is insured by the BCP."

Nevertheless, he made it clear that the money these banks or financial houses used in transactions under the counter, without respecting legal regulations, will not be honored by the BCP, because those deals are illegal. The president asserted: "Those who acted within the law will lose no sleep over this."

With regard to the request that the CBI [Congressional Investigating Committee on Illegal Activities] made to the attorney general to arrest managers and shareholders of the banks placed under trusteeship because of the serious irregularities they committed, and to investigate the alleged links between these banking institutions and government officials and private businessmen, Wasmosy indicated: "The CBI always arrives a bit late, looking out for others' interests."

"We have instituted serious and responsible preliminary proceedings, which we submitted to the attorney general, who in turn put them at the disposal of judges so that they can decide what to do," he stressed.

The head of state made it clear that the BCP will handle the violations of banking regulations, and the justice will be in charge of the crimes derived from those violations.

During the interview with reporter Benjamin Fernandez, President Wasmosy commented that as he does not maintain close relations with his brother-in-law Ricardo Carrasco, he was in no condition to state whether Carrasco had purchased Bancopar shares because of a financial arrangement or whether they were sold to him at a lower price.

In referring to the subject, the president pointed out: "Let everyone mind his or her own business, and if somebody has some problem with this gentleman (Carrasco), well, let that bank act and put things right. I can assure you that I have nothing to with the executive managers from that bank. Besides, it was I who decided to place those banks under trusteeship, because they did not honor their commitment to put their house in order."

Wasmosy asserted that if his brother-in-law is implicated in this affair he will have to abide by the sentence the law imposes on him. "I am not going to cover up for anybody, no matter who it is."

He subsequently declared that if he were to be implicated in any shady deals in the course of the investigations, he would be willing to answer any kind of charges before the courts, because "I act within and not above the law."

The head of state commented that since October 1993 he had been studying the reasons behind the high interest rates in banks and financial houses. "As we saw that there was great indiscipline, we met with 10 banks. Six of these have been following instructions, and two now doing so, but the remaining two (Bancopar and Banco General) not only failed to honor their commitments, but committed greater outrages," he said.

Wasmosy explained that the managers of the banks placed under trusteeship took out an overdraft of 22 billion guaranies. "Do you think that is a mere trifle?" he asked.

Senators Seek Resumption of Consular Relations With Cuba

PY0506214795 Asuncion ULTIMA HORA in Spanish 2 Jun 95 p 7

[FBIS Translated Text] The congressmen who visited the Republic of Cuba last week at the invitation of the National Assembly of the People's Government of that socialist country have asked President [Juan Carlos] Wasmosy for the official resumption of consular relations with that nation, which is ruled by Fidel Castro.

Senators Rodrigo Campos Cervera, Carlos Alberto Gonzalez, and Luis Guanes Gondra from the PLRA [Authentic Radical Liberal Party], Diogenes Martinez, Alberto Alderete, and Artemio Castillo from the ANR [National Republican Association - Colorado Party], and Basilio Nikiphoroff, from the AEN [National Encounter Alliance] have presented the head of state with the gift that was sent by his Cuban counterpart.

Nikiphoroff, the first vice president of the Senate, reported: "We have urged the president of the Republic to speedily resume at least consular relations with Cuba, as a prior step to the full reestablishment of diplomatic relations."

Cuban leader Fidel Castro received the Paraguayan lawmakers, with whom he discussed the situation of both countries for more than two hours. Castro subsequently gave his guests a box of Cuban cigars for Wasmosy.

Nikiphoroff — a leading promoter of the resumption of relations with Cuba — asserted that such resumption is extremely important for Paraguay because of the degree of progress achieved in that Caribbean island in health care and education.

He said: "We will hold another meeting with the president next week and hope to then have an affirmative answer.

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"It is a real pity that we were the first ones to sever ties with Cuba and will seemingly be the last ones to resume relations."

Peru

Top Shining Path Leaders Reportedly Detained

PY0506185695 Madrid EFE in Spanish 1552 GMT 5 Jun 95

[FBIS Translated Text] Lima, 5 Jun (EFE) — According to police sources, the top Shining Path leaders of the northen region were arrested by the Peruvian Police in Huarney over the weekend..

The detained belong to the leadership headed by Alberto Ramirez Durand, aka "Feliciano," who is the currently the top person in Shining Path.

Despite the secrecy maintained by officials, who preferred not to reveal the identity of the detained, it was learned that the leaders were taken to Lima for interrogation.

Their capture represents, for Peruvian officials, the "harshest blow" against the Shining Path after the March detention of Margie Clavo Peralta, aka "Nancy," who was also a top leader.

During the arrest, the police also seized important documents regarding the reorganizing of criminal activities in the northern part of the country.

Police sources reported that the Northern Regional Committee has well-known Shining Path "hardliners."

With this police operation, the Shining Path suffers organizational losses from Chimbote to Tumbes in the northern region.

Shining Path Said Returning to Guerrilla War Strategy

PY0506172195 Lima EL COMERCIO in Spanish 14 May 95 p A23

[FBIS Translated Text] The ambush on 7 May in Anda-Pacae, Leoncio Prado Province, Huanuco Department, in which 15 Shining Path members and six soldiers were killed shows that the Shining Path is returning to the "guerrilla war" strategy, and has chosen the Huallaga valley as the scene where it hopes to recover the territory lost after the harsh blows it suffered from the police forces.

The "Huallaga Regional Committee" has become, in the last few months, the main Shining Path stronghold and area where the most dangerous military force that remains of this criminal organization has gathered.

This region has become important not only geographically but also because of the presence of drug trafficking, which, as proven many times, is the main source of financing for terrorist activities.

The man responsible for the regional committee is a terrorist known as "Artemio," who was a permanent member of the "traditional" Central Committee headed by Abimael Guzman. He is currently one of the leaders of the "Emergency Central Committee" of the faction headed by Oscar Alberto Ramirez Durand, aka "Feliciano."

His importance is based on his link with drug trafficking, as related by Demetrio Limonier Chavez Penaherrera, aka Vaticano, and other recently captured repentant "narcos."

"Artemio" is also known by other names within the Shining Path, such as "Pepe," "Jose Luis," and "Julio Cesar."

Another leader who is heading the Shining Path units in Huallaga is Hector Aponte Sinarahua, aka "Clay," who was demoted early last year to the level of "fighter" for supporting the "peace agreement" proposed by Abimael Guzman.

As a result of the blows suffered by the Shining Path in the last few months, especially the capture of "military commander" Rodolfo Cardenas Ruiz, aka "Gabriel" or "Jordan," who fell with Margie Clavo Peralta, aka "Nancy," Hector Aponte recovered his position.

There is a third leader in the Huallaga Regional Committee who is only known as "Vallejo" or "Andino."

There is also talk about a man known as "Miguel." The police have not yet identified him fully. Some believe he is Miguel Arana Montanez, while others believe he is Pedro Quinteros.

The "central force" of the Shining Path has a regular logistical force and a significant number of "fighters" who have been hurt but not neutralized as a result of the "Aries Operation" carried out by the Army from March to May 1994 in the "pockets" of Cuchara, Primavera, and Monzon.

The units "Mar Rojo," "Construir," "Atreverse," "Conquistar," and "Tormenta" still exist and have recruited new members from their "support bases" in the Huallaga settlements.

According to intelligence sources, the Shining Path decided to carry out its main military actions in that zone now that the 15th anniversary of the armed struggle is approaching.

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Editorial Hails Government's Economic, Growth Strategy

PY0506215595 Lima EL PERUANO in Spanish 21 May 95 p A2

[Editorial: "Our Growth Strategy"]

[FBIS Translated Text] Peru's economic and social development model has awakened admiration not only among governments, but also among international financial organizations, which strongly believe in strict compliance with the rules set forth by the schools of economic thought.

The program, which the people overwhelmingly supported at the elections on 9 April, is based on tight monetary and fiscal discipline; the implementation of essential structural reforms, which should now be broadened and shored up; and an atmosphere of trust that encourages savings and investments.

The state no longer sets the economic course for the companies. It also ceased to be the country's main employer, paying miserable salaries. A market economy determines the companies' success or lack of such, and the state takes care of its own business: making sure that social programs capable of benefiting the majority of the people are implemented, and to a lesser extent playing a secondary economic role to help improve the efficiency and flexibility of the market.

Maintaining strict fiscal and monetary discipline is one of the key aspects of the administration's growth strategy. The Constitution ensures that this policy is maintained by prohibiting the Central Bank from loaning money to the public sector. The growth strategy is also based on continuing structural reforms to establish conditions for an agricultural land and water market, on making the labor market even more flexible, and on encouraging private savings through private pension systems and the financial system.

The administration will also invest in infrastructural projects that will lend support to private investments and help increase profits. The privatization program will continue to make Peru's business sector more competitive. As far as international trade is concerned, the idea is to make Peruvian exports more competitive by reducing excessive costs, and by privatizing — among other things — the management of port services and improving port infrastructure.

Additional measures will also be taken to reduce the gap between unlicensed commerce and the other economic activities. Thus, tax laws and regulations for small business will be further simplified, and their access to private financing will be broadened.

In addition to all this, the administration has taken upon itself to carry out a vast social program in support of the more needy strata of the population. It will provide basic services to urban settlements and implement small but effective projects in the rural areas. The results of this growth strategy are undisputable: Inflation has been defeated, production has increased, and development has a better chance. Good for Peru!

Military's Right To Arm Peasants Questioned

95SM0346A IDEELE in Spanish Apr 95 pp 51-53

[Article by Jaime Marquez Calvo, Legal Defense Institute attorney: "Peasants' Self-Defense—Right and Wrong"]

[FBIS Translated Text]

Pitumarca and Organizational Errors

On 19 January 1995, a commission made up of institutional representatives of the Prelacy of Sicuani and the Canchis Province Peasants' Federation, together with local authorities, paid a visit to the Fourth Military Region headquartered in Cusco. Their purpose was to inform the military authorities of the multiple charges made by the peasant population against the Pitumarca District Self-Defense Committee, which is sponsored by the Peruvian Army under the provisions of DS 077-DE-92 governing the functions of the so-called "antisubversive patrols."

The members of the commission met with the colonel who is the deputy commander of the Fourth Region but obtained no response other than the countercharges made against the Church and the organizations represented by the commission. The accusation was that they are attempting to "politicize" the peasant organizations in the zone. Subsequently, there was no real effort made to look into what has been happening since January of last year. It was then that the Army provided the Self-Defense Committee organized in Pitumarca with 80 weapons and appointed Lucio Lopez Chino as its promoter. He is an obscure individual who is not from this area. He travels from one peasant community to another trying to persuade the leaders of the advantages secured by obtaining the recognition and accreditation provided by the Army.

The charges formulated against Lopez Chino and other leaders of the Self-Defense Committee reveal the multiple abuses these individuals are committing against the civil population based on the authority in the peasant community the Army has given them. The cattle thefts, serious injuries, threats, sexual violations, abuses of authority, and murders committed have been reported repeatedly to the Justice of the Peace in Pitumarca and the Office of the Provincial Prosecutor in Canchis. Despite

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this, the negligence revealed by the military authorities in failing to investigate the facts has created a highly unsatisfactory situation. Their absence on 23 January last, for example, frustrated a visit to the zone previously agreed upon with the members of the commission that had made the accusations.

Recently, in response to a complaint made about this matter by the National Coordinating Board for Human Rights, the Ministry of Defense said that "since the Pitumarca Self-Defense Committee was organized, respect for the established authorities and a civic spirit have been noted, and to date, the population of the zone has been living in a state of tranquillity." (sic)

Far from confirming the abuses reported, the "investigation" carried out by the Ministry of Defense concluded that the dozens of denunciations contained in the documents and files of the Pitumarca Justice of the Peace, the Office of the Canchis Provincial Prosecutor, and the criminal court of that province only served to further "the political and proselytizing efforts of the PUM [Mariateguist Unified Party], which has as its goal the seizure of control of the organizations existing in that district. This would enable it to liberate, channel, and redistribute the resources in money and materials received from the state, the church, and/or other organizations."

While this explanation does not meet the requirements set forth by the National Coordinating Board and the local human rights organizations, it does provide us with a guide for analyzing why the military insist on maintaining control of these zones under a state of emergency and on developing the organization of peasant self-defense there within the framework of the aforesaid DS 077. We have previously discussed (see IDEELE 67-68) the absurdity of imposing this special regime on the high provinces, where the subversive presence has always had a feeble impact, particularly now that the indices of political violence on the national level have declined substantially.

Therefore, the strategy being pursued is counterproductive. This is why some communities and self-defense committees—that in Checca Kunturkanki, for example—have decided to return the weapons given them. The Army regards this as an act of insubordination resulting from "political manipulation by the PUM in the zone." It therefore holds this political party responsible for the problems that have developed in some districts, such as Pitumarca. But does this leftist group really have such influence among the peasants in the high provinces of Cusco? We do not believe it does. The weight the left wing had in these zones in past years has dwindled considerably. Among the other reasons contributing to this is the crisis in the peasant trade-union organizations and the splits in parties precisely like the PUM, which have been reduced to small groups of militants.

What, then, we ask ourselves, are the real reasons that have led the Armed Forces to continue to pursue an erroneous strategy in the zone? A first reason would seem to be that a national directive was issued ordering the strengthening of the self-defense committees, not only in terms of their capacity to prevent subversive reorganization, but also so that they can serve as a "sounding board" for the political work of the government in the rural sector. Observers in the zones say, for example, that the self-defense committees provide a major channel for communication between the state and the peasant sector, so that the latter can be made aware of the "bounties" provided by the government and will view it favorably. From that to using the peasant self-defense campaign to promote the reelection of President Fujimori was no great leap. We would simply remind the readers of the charges made by the candidate Raul Diez Canseco concerning the Self-Defense Committees in Maquinua, Ayacucho, in this connection.

In the second place, we believe that the reason for the attitude of the state toward the patrols in these zones is that they have the support of various institutions that see in them a potential force for the rebuilding of the communal social fabric destroyed by migration, poverty, and the loss of communal values and practices. As we will see further on, the leading role of the self-defense movement has taken the place of the peasant community itself, and is for this reason becoming a pole of attraction for the work of the Church, the human rights organizations, and the local ONGs [nongovernmental organizations]. It is in this area, then, that the military authorities begin to see the phantom of manipulation and politicization of the peasant organization.

The Self-Defense Committees and Their Right to Autonomy

Perhaps the principal reason the Ministry of Defense wants to challenge the abuses imputed to the Pitumarca Self-Defense Committee is the competition represented by the existence of a patrol movement that has been organizing on an autonomous basis in the high Andean provinces since the end of the 1980s. At the present time, there are about 15 intercommunal self-defense organizations in the four high provinces of Cusco, and in Canchis there is a specialized Self-Defense Committee organized in each peasant community. Each one has internal regulations governing its operations that vary with the particular characteristics of the zone.

These Self-Defense Committees were developed to deal with cattle rustling. However, now that this problem

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has in large part been resolved, they are undertaking to resolve various types of social conflicts encountered within the peasant community. For example, at the two Self-Defense Committee Assemblies held in August and November of last year in the province of Canchis, the patrols agreed to assume authority in three types of cases—in the categories of social conduct (infidelity, cattle rustling, child abandonment, slander and defamation, alcoholism, and threats against life), communal organization (repair of irrigation canals, distribution of water, infrastructure projects, and protection of national resources), and communal development (water and electrical services, management of resources, education and the enterprise system, and the processing of raw materials).

What has been said shows the development of the self-defense movement, which has proceeded from the need for an agency to resolve an immediate problem—cattle rustling—into a permanent body for the resolution of conflict. The diversity of issues taken up by these committees reveals the protagonist role they have assumed within the peasant community as such. Their leaders say that self-defense movement is contributing to the revival of communal traditions (such as, for example, collective labor), while at the same time it channels the demand for local development and promotes the participation of the population in sectors of authority, thus contributing to their recognition as citizens.

Within this perspective, the authority to administer justice is one of the main demands being made by the self-defense movement in the high provinces. In this connection, a very expeditious procedure has been pursued—designed not only to ensure speedy, free, and effective justice, but also to reintegrate convicts socially within a context of respect for their rights as individuals. It is a fact that the members of the movement have not yet succeeded in "imposing" a consensus on this key demand (the continuing charges that the leaders are guilty of the crime of usurping authority are proof of this), but the progress they have made is nonetheless rather significant in terms of legitimizing their organization.

In this connection, it was agreed at the Second Self-Defense Assembly held in the community of Santa Barbara to claim the right of autonomous participation in the administration of justice. "This autonomy should be defended and exercised by the organizations themselves, without allowing external agents (state, political parties, etc.) to change, guide, or direct the functioning of these organizations." Therefore, in our view, this would be a first favorable move for the Self-Defense Committees. It would inevitably presume a change in the orientation of the state regarding these organizations, which did not emerge within the context of political violence.

On the other hand, the difficulties that still exist in the relationship between state justice and peasant justice should be resolved by means of a law regulating Article 149 of the 1993 Constitution and authorizing the peasant communities to administer justice within a special jurisdiction. Their authority in terms of territory, subject matter, and scope will have to be established in coordination with the justices of the peace and "the other entities in the judicial branch." Similarly, the scope of customary law, which is recognized by that constitutional article, must be regulated in autonomous fashion by the self-defense organization itself, with the incorporation of its particular norms into the universal context of human rights.

In this way, we believe, the threat that the state mistakenly sees in the self-defense organizations can be overcome. And these organizations should not have any authority beyond that accorded them by the juridical regulations. Perhaps, in this way, the recurrence of regrettable situations like those experienced in Pitumarca can be prevented, and the peasant patrol and self-defense movement can contribute to pacification of the country. Pacification means not only the elimination of violence, but of all those factors that provoke it, as well.

Political Violence Statistics for Mar 1995

95SM0346B Lima REPORTE ESPECIAL/DESCO in Spanish Mar 95 pp 4-5

[Report by the Center for Development Studies and Promotion, DESCO]

[FBIS Translated Text] DESCO has reported 95 subversive actions in which 64 individuals were killed during the month of March. These figures reveal a certain resurgence in subversive activity.

The main location of the subversive actions was the area of the Selva Regional Committee, where 28 (29 percent) of the attacks occurred. Thirteen of these subversive actions were incursions by the Sendero Luminoso [Shining Path] in various Selva localities for the purpose of encouraging a boycott of the elections. On the other hand, in Alto Huallaga, the Shining Path ambushed and attacked nine interprovincial units along the Tingo Maria-Aguaytia-Pucallpa highway.

Lima had the second largest number of attacks, with 27 (28 percent). Five of these incidents were selective assassinations of individuals in residential neighborhoods. At the same time, there were incursions in the slum quarters. In San Juan de Lurigancho, for example, the Senderists invaded two residential neighborhoods to

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promote the slogan "Don't Vote." In addition, there was a clash with the forces of law and order on the Central Highway, and a police patrol was ambushed in La Victoria.

The third largest number of incidents occurred in the area of the North Regional Committee, where there were 14 (15 percent) subversive actions. Ten of these incidents were guerrilla incursions by the Shining Path in the provinces of Bolivar, Julcan, Sanchez Carrion, and Lambayeque.

The area of the Principal Regional Committee ranked fourth, with 12 (13 percent) of the subversive actions. The Shining Path carried out four incursions in various localities in the provinces of Angaraes, Huanta, and Huancavelica. Mass transit vehicles were attacked by the Senderists along the Huamanga and La Mar highways. They also carried out two harassment actions at police premises in Huanta and Cangallo.

The area of the Centro Regional Committee had 11 (12 percent) incidents and ranked fifth. Four of these attacks were carried out by the MRTA [Tupac Amaru Revolutionary Movement]. One was an attack on the military base in La Florida in the province of Oxapampa, and another was a selective assassination in Chanchamayo. The Shining Path, for its part, engaged in four sabotage actions in the provinces of Huancayo, Tarma, and Pasco.

The fewest attacks occurred in the areas of the Sur, Norte Medio and Sur Medio Committees, in each of which there was one (one percent) attack. The Shining Path made an incursion into San Jeronimo, in the Sur Committee area, in Cusco, where it engaged in armed agitation. In the area of the Norte Medio Committee, the warehouse of a poultry-breeding establishment in Huacho was burned. And finally, there was a murder in the Sur Medio Committee area.

Where the number of victims is concerned, the Selva Regional Committee area had the most, with 32 (50 percent) individuals killed. Fifteen of these victims fell in a clash between the Shining Path and an Army patrol in Tocache. Five soldiers were killed in this same incident.

The Shining Path massacred six peasants in a village in the province of Tocache. In another area of that same province, two truck drivers were murdered.

The Norte Region had the second largest number of victims, with 19 (30 percent). The Shining Path massacred 11 peasants in the province of Bolivar. There was a guerrilla incursion in the province of Julcan in which three policemen and one soldier were killed. Moreover, four citizens were murdered in the provinces of Lambayeque and Sanchez Carrion.

Lima had six (nine percent) victims, ranking third in terms of numbers. Four residents of the slum districts of Comas, El Agustino, and San Luis were murdered. Also, a noncommissioned officer was killed during the ambush of a police vehicle in La Victoria.

The area of the Central Regional Committee ranked fourth in the number of victims, with five (eight percent) deaths. Three of the victims were army personnel killed in an MRTA attack on the antisubversive forces' base in La Florida, in Oxapampa. One of the subversives was killed in this attack.

The areas with the fewest victims were those of the Principal and Sur Medio Committees, with one (two percent) victim in each. In the Principal region, in the province of Huancavelica, the wife of a leader being sought by the Senderists was murdered. And finally, a university student was killed by a Revolutionary Student Front [FER] leader at the San Luis Gonzaga University in Ica.

Expert on Shining Path's 'Worrisome Reactivation'

95SM0346C Lima LA REPUBLICA in Spanish 9 May 95 p 14

[Commentary by Carlos Tapia in the "Farewell to Arms" column: "SL's Current Presence"]

[FBIS Translated Text] The intensity of the electoral campaign in recent weeks has obscured any clear view of the real magnitude of the actions of the SL [Sendero Luminoso—Shining Path]. Although the press has emphasized only the capture of Margie Clavo Peralta and the 11 other individuals arrested and displayed on television, an assessment of the antisubversive struggle during the months of March and April reveals a worrisome reactivation of Senderist activity.

Without a doubt, this is a question of concerted actions, showing that even though its ranks are diminished and the obstacles are many, the terrorist movement is making progress in reorganizing. The Institute for National Defense Research [Iniden] has reported 150 actions carried out by the Senderists over an area involving 13 departments.

The largest numbers of incidents occurred in Lima (64) and Ayacucho (18). They mainly involved the painting of slogans, display of banners, and distribution of flyers. But it was in San Martin and La Libertad that the terrorist actions, although fewer in number, revealed a greater military capability.

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It was in the department of San Martin that the largest number, out of the total of 67 deaths caused by the Senderist actions, occurred. There, 15 subversives, 5 Army personnel, and 6 civilians were killed. In the mountain area of La Libertad, the Senderists murdered 17 civilians, peasants, and residents, and in an ambush, four policemen and an Army soldier were killed.

If this upsurge of Senderist action in the department of San Martin was indeed predictable—a military intelligence report refers to 400 members of the SL organization in Huallaga—what happened in the mountain area of La Libertad, on the other hand, shows that the Senderist movement operating in the zone has an effective capacity for recovery despite the severe blows dealt it. This can perhaps be better understood if we realize that of the 110 victims of violent death thus far this year, 45 lived in the province of Sanchez Carrion in the department of La Libertad.

On the other hand, according to Daniel Espichan, a former prosecutor who is now a congressman elected on the government party slate, only "about three percent of the Senderists" remain at liberty. As we all know, a percentage represents a given number out of each 100. Therefore, if we accept the report that 116 Senderists were arrested last March, and also that about 50 additional terrorists being sought by the police were arrested in Lima during the election, according to the president of the Lima Higher Court, we can conclude that this "three percent" can be very elastic. In certain political situations, it can expand, while in others, it shrinks.

What is certain is that in the past two months, the Senderists have succeed in carrying out 150 actions, while Feliciano's drinking and philandering have thus far diverted attention from the effects of internal division and the efforts of the SIN [National Intelligence Service]. But all the Senderists can do now is survive, until the deterioration of their organization and the exhaustion of the militants exert enough pressure to bring this nightmare that began 15 years ago to an end.

Small Businesses' Formation Into Consortiums Reported

95SM0347A (Internet) Peru DESCO Gopher in Spanish 18 May 95

[From Resumen Semanal 10-16 May]

[FBIS Translated Text] The owners of microbusinesses in Lima and Callao plan to create 50 consortiums before this coming July. Their purpose is to organize their operations under the system of subcontracting from the large enterprises, among other things. This announcement was made on 15 May by Mario Cardenas, the president of the Unified Central Business Union of the Lima and Callao Cone Regions, during a meeting convoked by the Confiep [National Confederation of Private Businesses]. At the meeting, it was announced that three representatives of the microenterprises will serve on the board of directors of this businessmen's association. Arturo Woodman, the president of the Confiep, said that the incorporation of this sector in the institution he heads is due to the fact that there are 2,000,000 microenterprises headed by 150,000 small businessmen and located throughout the country. "It is thanks to these microenterprises that the people have been able to face up to the economic crisis (which the country has been experiencing) and are now entering the domestic market. They must also play a foreign market role, and to do this they need to form consortiums," he explained. On the other hand, the Confiep said that if the purpose is to bring about the commercial integration of our country in the American region, the customs regime will have to be replaced by a scheme based on a graduated scale, like that used by the Andean Regional Group [GRAN]—or alternatively, a customs regime with a single flat rate. At present, neither of these two systems is being used in Peru. (Most dailies 16 May 95)

Government's Civil Rights Approach Criticized

95SM0347B (Internet) Peru DESCO Gopher in Spanish 18 May 95

[From Resumen Semanal 10-16 May]

[FBIS Translated Text] President Fujimori's government does not have a clear policy on civil rights. This is revealed by the developments this week in connection with the political parties, the law for the defense of the people, and the court trials of retired military officers. But even so, according to the IMASEN firm, the government's popularity index does indeed remain at a high level. This seems to indicate two things. First, the approval level is the result of the successes achieved in the economic realm and in controlling subversion. And second, the majority of the people do not see that, beyond the election and the issue of freedom of the press, the other political rights characteristic of democracy have great inherent value. Other notable events in the past seven days have included the resurgence of incidents on the northern frontier and the scheduling of the municipal elections for 12 November.

Fujimori's Popularity

According to the most recent Confidential Report from IMASEN, President Fujimori's approval level this past April was the highest reported during his presidential term of office thus far this year—79.9 percent. This

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figure shows an improvement of little more than nine percentage points over the figure for February (70.5 percent), which was the last month prior to the 9 April elections in which IMASEN made its usual survey of support for the presidential administration. In addition, 14.5 percent of those questioned expressed disapproval, while 5.6 percent choose to express no opinion. The presidential approval rating reported for the fourth month of this year by IMASEN is also higher than any of the figures reported throughout 1994. The reasons that led voters to choose the president as their candidate were "his achievements"—15 percent, "approval of his administration"—8.6 percent, "he put an end to terrorism"—7.2 percent, and "he is experienced"—6.3 percent. (GESTION 10 May 95)

Fujimori's Governing Style Criticized

95SM0347C (Internet) Peru DESCO Gopher in Spanish 18 May 95

[From Resumen Semanal 10-16 May]

[FBIS Translated Text]

Misinterpretation of the Mandate?

EXPRESO (14 May 1995) reported as follows. "There are some indications that the government might be beginning to misinterpret the mandate it received on 9 April. It is as if it believed that it was given authorization to make use of force as it sees fit. A strong government is not the same thing as an abusive government, just as respect for the principle of authority is not the same as fear of arbitrary force. This comment is provoked by what has been occurring with regard to the retired military officers arrested and brought to trial in the military courts—actions that are not allowed by either the law or the Constitution. And also, by the process of retreat in connection with the law on the defense of the people, and the way the participation of military groups has been restricted by the law requiring that 500,000 signatures be submitted. The strength of the state should be manifested in the implementation of the law, not in evasion or violation of it. In clarity, not in secrecy. Law means order, not force used outside it. The achievement that history will record for President Fujimori will not be his triumph over terrorism and hyperinflation, or even the elimination of the political parties, but rather his having brought Peru into the modern era. This involves not only highways and computers, but also a culture, a way of life, a political, legal, and judicial system that provides juridical security for the development of the economy and respect for the dignity of each of us."

Who Are the Fujimori 'Supporters?'

Mirko Lauer wrote as follows. Who are the political supporters of Fujimori and what are their methods? We will never come to know the names of all of them—but as a group, they are the Peruvians who are closest to the regime in public terms in the 1990s. This re-election has erased most of the image they acquired during the 1992 coup as a transitional group, and has created a need to try to gain a fuller understanding of them. The political supporters of Fujimori are neither party militants nor members, but rather the operators and functional spokespersons on specific issues. In no case are they representatives of the ideological movements within party groups. There is a Fujimori supporter in the labor sector, the economic sector, the morality sector, international affairs, a polemicist, etc. But it is only Fujimori who makes statements that encompass an overall vision of national affairs. The style of these supporters is definitely low profile, and with the exception of Martha Chavez, it involves purposeful silence about their personal lives. The political supporters of Fujimori do not function as intermediaries between the citizenry and the government, but as the representatives of a central power to which they owe virtually everything. Fujimori has a monopoly on the concept of representing the people. He implements it in a "direct" fashion, and any effort to usurp a part of this function has always cost the usurper his political role. The first thing Fujimori did when he won in 1990 was to eliminate the secretary-general of Change 90. We are no longer dealing here with the classic collaborators involved in a military coup or a dictatorship reined in by international pressures. Rather, this is the local version of the political schemes seen in authoritarian countries like South Korea or Singapore. In five years, Fujimori has succeeded in training a political team in his own image and likeness, and to that extent, in creating a different style. It is obvious that this style goes against a large part of what is theoretically inherent in democratic political parties—representation of the citizenry, the confluence of existing individualities, development of and competition among movements and leaders, the separation of powers as a tool for oversight, and adherence to principles consistent with an ideology." (LA REPUBLICA 14 May 95)

Not An Accident — 'Something Is About To Happen'

The weekly periodical SI (No. 426, 15 May 95) reported as follows. "The sweeping victory won by President Fujimori in the April election does not seem to have diminished his enthusiasm. He continues to inaugurate secondary schools, and his adversaries continue to be

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driven into a corner by their defeat. Also, resolutions have been approved in the Congress that might be viewed as being designed to prevent his rivals from raising their heads during the balance of this century. This conduct might point to something imminent in the economy or in politics, or in both together. It was without a doubt no accident that Martha Chavez and Congressman Juan Hermoza Rios put forth the proposal that the parties be required to collect at least 480,000 signatures to qualify for registration with the National Election Board and to participate in the coming municipal elections. Nor could it be a matter of chance that this proposal, amended and expanded during the congressional session on Thursday, 11 May, was promulgated in the official gazette the following day. Balancing this, at that same Thursday session, the revised version of the Organic Law for the Defense of the People, which had been unanimously approved by the Congress a week earlier, was promulgated. In this instance there was no haste, but rather a snail's pace and a crab-like sidling backward.

"As if to make everything seem to be part of a single process representing a single concern, or perhaps a hidden fear, the military court went ahead with the trial and began sentencing the retired generals. This was done in violation of all good judgment and despite sensible protests from practically all of the sectors in the political and journalistic spectrum. The fact that the measures mentioned above and the military trial were carried forward suggests a global strategy. They are signs that President Fujimori believes that drastic steps must be taken to maintain power and to prevent the creation of forces that might place it in jeopardy. There must be no loopholes left, and the current or future opposition must be allowed no respite.' This seems to be the theme of the campaign."

Parties Regrouping After Election Defeat

95SM0347D (Internet) Peru DESCO Gopher in Spanish 18 May 95

[From Resumen Semanal 10-16 May]

[FBIS Translated Text]

Conflict in Aprista Party

Mercedes Cabanillas urged Jorge del Castillo, the attorney of Alan Garcia Perez, to resign as president of the political commission of that group in order to prevent the charges against him from posing a problem for the party image. "It is not fair to allow personal charges against some of our members to compromise the APRA [American Popular Revolutionary Alliance]," she asserted. With regard to former president Garcia's present situation following the statements made by the businessman Zanatti, Mercedes Cabanillas chose to express no opinion, because "the former government leader is no longer an Aprista member." Therefore, she said, "It is unfair to continue linking Garcia Perez with the APRA," she explained. (Most dailies 10 May 95)

Later, Mercedes Cabanillas urged Jorge del Castillo and Agustin Mantilla not to be members of the Congress, claiming that both men are subject to questions that "have a negative political effect" on their party. "They still have sufficient time to provide great proof of militant Aprism, of love of the party, and to make certain corrections, as in the case of Agustin Mantilla," she said. "I believe that they should think very carefully nowadays about whether or not they should accept parliamentary credentials," she added. She pointed out the close links both men have with former president Garcia, and in the particular case of Mantilla, noted that he declared himself to be a congressional candidate, although he was not, as secretary-general of the APRA, qualified to do so, according to the statutes. (LA REPUBLICA 12 May 95)

On 15 May, Agustin Mantilla announced his definitive resignation from his post. "Very respectable comrades who play no role in the party structure are trying to influence it through the media," he said. "All of them, from the comfort of their homes, are attempting to maneuver the party in the direction they deem desirable, but none of them has contributed anything at all. They will have to accept a decision this weekend during the plenary session. And then there will be the Extraordinary Congress. As of the very day of the election, I said that I planned to submit my resignation during a plenary session of the party, and that is what I am going to do. Those demanding my withdrawal are only seeking to use me as a fulcrum for their electoral leverage. They should not bother with me, because I will resign in any case." He said that "Alan Garcia has not been a member of the party since 1994. What determination can there be, then, with someone who is not an Aprista?" (EL MUNDO 16 May 95)

Dissolution of the PUM?

Former senator Javier Diez Canseco has resigned as secretary-general of the Mariateguist Unified Party [PUM], and has urged the dissolution of that group "so as to launch a process of reorganization of the left." Diez Canseco explained that behind his recommendation is the desire to revive the program proposals of this political sector in the medium time range, as well as to proceed with bringing together the scattered groups in this movement throughout the country. He added that "this grouping is designed to incorporate in a single

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bloc not only the sectors of the left, but those of the center left as well, in order to establish unified forces, looking toward the year 2000." He added, however, that the base levels will have to decide at a party congress whether they accept the proposal. (EXPRESO 14 May 95)

Municipal Elections Set for 12 Nov

95SM0347E (Internet) Peru DESCO Gopher in Spanish 18 May 95

[From Resumen Semanal 10-16 May]

[FBIS Translated Text] On 12 May, President of the Republic Alberto Fujimori set 12 November of this year as the date for the municipal elections. It is within this framework that the country will elect the town council members who will govern during the next three years. The announcement of the date was published in EL PERUANO, the official daily gazette, despite the fact that the Congress had just approved the postponement of the time period for carrying out this constitutional mandate. Thanks to this postponement, President Fujimori could have waited until 12 July to set the election date but he preferred not to wait. It should be noted that in accordance with the sixth and final provision in the constitutional text, the term of office for the mayors elected in the 1993 electoral process was extended to December of 1995. (EL COMERCIO, EXPRESO 13 May 95)

Popular Action [AP] was the first political group to apply for reenrollment in the Political Party Register by submitting 140,000 signatures to the National Election Board [JNE] for the purpose. If it is confirmed that there are at least 100,000 valid signatures, the AP, apart from being the first, will be the only party legally recognized by the JNE, because the period for registration with that number of signatures has ended. The other two groups registered with the JNE are Change 90-New Majority and the Union For Peru, but neither of these two is a political party. Raul Diez Canseco announced that he will withdraw from political life shortly. "After seeing to the registration of the party and completing my term of office as secretary-general, I will withdraw for a time," he said. (EL COMERCIO 13 May 95)

Venezuela

BCV Rates at Odds With Economic Indicators

PA0406031895 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 2 Jun 95 p 6

[Report by Bernardino Perez Feo]

[FBIS Translated Text] Since the Central Bank of Venezuela's (BCV) decision to set at 24 points the differential or spread [preceding word in English] commercial financial entities pay (passive rates) and what they charge (active rates), there has been a gradual increase in these indicators.

Nevertheless, even though it was obvious that the BCV ruling on increasing the spread would have a positive effect for this tertiary sector [commercial financial entities], a follow-up investigation by REPORTE DIARIO DE LA ECONOMIA's analysis and investigation unit shows that this development also implies a greater difference between interest rates and the reality of the national economy, especially the monetary market.

According to what happened over the past five months, the active interest rate has been increasing the following way: 43.16, 44.02, 45.56, 45.74, and 47.2 percent.

At the same time, passive rates have gone through the following levels: 19.16, 20.02, 21.56, and 23.2 percent.

If this evolutionary process was in response to more natural reasons, such interest rate behavior would not be questionable, for example, if the Executive Branch had found an effective way to drain the excess liquidity that accumulated between December 1993 and April 1995 (1,414,333,000,000) [currency not specified]. But this was not the case.

By refusing to free the exchange rate (the only known effective way to drain surplus liquidity), the above amount continues to be in the hands of the public, thus (in general) economic agents do not need to go to banks to acquire funds.

Likewise, the entrepreneur who does need the banking credit sees an increase in the active rates and abstains from requesting it.

On the other hand, with such a broad monetary base, in which money in general terms has not been lacking — as has been the case — the banking sector would have to compete in a natural way (in other words, by raising passive rates) to acquire funds.

What has just been described is the result of an "unnatural" process; of a simple decree that ties the economy to this type of situation.

As is already known, the BCV has been forced (in view of not having any other options) to convert its monetary policy into a merely contracting instrument. Part of this mechanism has been, in 1995, the placement of 863,946,000,000 [currency not specified] worth of Monetary Stabilization Bonds (TEM).

The TEMs, in addition to criticism because of their known snowball effect (they return to the monetary market in a short term with the aggregate of their yield),

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have not been enough to collect the excess liquidity in the hands of the public. In fact, without exaggerating, at certain times it has seemed that work is limited to collecting the surplus that the very TEMs — together with zero coupon bonds — return and increase every month.

Anyway, in order to comply with the BCV's contracting policies and to ensure that issued TEMs reach the market, the bank of issue has been forced to raise the yield of these securities.

The problem is that every time the TEMs increase their yield, so do the interest rates.

The reason for this is simple. As one may recall, the BCV outlined the following mechanism to calculate bank interest rates: TEM yields auctioned off seven days before will be at the same level commercial banks can set their minimum passive rate. Likewise, adding the 24 percentage points to this TEM yield gives the maximum active rate.

To conclude, following the host of concepts described, it is worth stressing that the current upward interest rate trend has nothing to do with economic reality, thus it becomes an artificial indicator.

MONETARY LIQUIDITY AND MONETARY STABILITY SECURITIES

Amounts in Millions of Bolivares and Percentages			
Absolute Variations		**Percentage Variation**	
Apr 95-94	500,251	Apr 95-94	19.43
Apr 95-93	1,414,333	Apr 95-94	85.17
Apr 95-92	1,753,749	Apr 95-92	132.73
Apr 95-91	1,958,907	Apr 95-91	175.51
Absolute Variations		**Percentage Variation**	
94-93	914,082	94-93	55.04
93-92	339,416	93-92	25.69
92-91	205,158	92-91	18.38
TEMs Issued Months by Month		**TEM and Zero Coupon Bond Maturity**	
JANUARY	10,000	MARCH	111,830
FEBRUARY	208,000	APRIL	104,999
MARCH	249,000	MAY	173,617
APRIL	188,766	JUNE	207,000
MAY	208,180		
TOTAL	863,946	TOTAL	695,446 [number as published]

TEM Month by Month	Maturity	Zero Coupon Bond Maturity	Auctioned	Awarded
APRIL	40,000			
MAY	138,000	FEBRUARY	302,000	176,686
JUNE	207,000	MARCH	190,000	111,830
JULY	237,759	APRIL	64,999	64,999
AUGUST	177,682	MAY	120,000	35,617
SEPTEMBER	42,000	JUNE	75,000	0
OCTOBER	19,983			
NOVEMBER	1,522			
TOTAL	863,946	TOTAL	751,999	389,132

Source: BCV and Analysis Unit

Deputies Refuse To Approve Treasury Bonds

PA0306023595 Caracas EL UNIVERSAL In Spanish 31 May 95 p 1-12

[Article by Alberto de la Cruz]

[FBIS Translated Text] The Public Credit Deputy Commission of the Deputies' Finance Commission considers illegal the emission of treasury bonds for the amount of 254.429 billion bolivars, which the Executive Branch published in the 19 May Official Gazette. This move by the Executive Branch was made in order to refinance the capital of the public debt which matured in 1994, as well as the remaining loans that will reach maturity during the 1995 fiscal year.

A report by the deputy commission, which is presided over by Jorge Roig, also states that it will not approve the entire emission of treasury notes that Finance and Public Credit Secretary Luis Raul Matos Azocar requested, totaling 233.733 billion bolivars. The commission will only partially approve them when the government demonstrates it has been recovering the treasury notes emitted totaling 181 billion bolivars.

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The two decisions received the support of the majority of the representatives of the different congressional factions, except for the ruling National Convergence Party.

The report is based on the failure to comply with Article 19 of the Basic Law of Public Credit (LOCP), which obligates the Executive Branch to seek congressional approval for these operations, and Article 46 of the LOCP, which obligates the Executive Branch to send congress a special law to emit the bonds.

In addition, according to Article 56 of the LOCP, sanctions for misappropriation of public funds could be applied to the persons who emitted the bonds.

Notwithstanding these considerations, the Deputy Commission of Public Credit, after meeting with Juan Jose Garcia Mendoza, general director of public finances of the Finance and Public Credit Secretariat (SHCP), is seeking a way to maintain Decree No. 616 of 11 April 1995, published in the Official Gazette No. 35.714 of 19 May in order to avoid international repercussions. However, congress will revise the financial conditions of the decree.

It was made clear during these deliberations that the Executive Branch must ask for the legislature's approval regarding every public credit operation.

Confidential Report Regarding the Bonds

According to an SHCP confidential report, the emission of treasury bonds is justified because the total obligations of the state for 1995 (including 1994's overdue payments) reach a total of 991.053 billion bolivars. This balance exceeds the 638.033 billion bolivars budgeted for the same entry by 353.020 billion bolivars.

"If we take into consideration that the budget approved for the 1995 debt service (638.033 billion bolivars) includes 149.654 billion bolivars provided by the law that authorizes the president to contract and execute public loan operations during the 1995 fiscal year ("Umbrella Law"); 75 billion bolivars from privatizations, which probably will not materialize; minus 25.330 billion bolivars from deferred internal debt payments; then, the nation's gross financial obligation is approximately 552.344 billion bolivars, excluding the treasury deficit.

The previously mentioned 353.020 billion bolivar budget deficit includes 200,429 billion bolivars corresponding to the 1994 public debt service on capital, and 54 billion bolivars on overdue public debt service on capital corresponding to 1994. Thus, the service on capital forecast for 1995 is 254.429 billion bolivars.

Because these national debt service figures were not contemplated in the 1995 Budget Law and because it is necessary to keep these commitments, it was decided to refinance these debts through the emission of treasury bonds.

Justification for Treasury Bonds

Another strictly confidential report of the Finance Ministry says: "The Treasury has estimated a deficit of 412.074 billion bolivares for 1995 (adjusted for the privatization contingency and excluding a deficit in the allocation for paying the public debt's service). [no closing quotation mark as published]

In addition, the Finance Ministry had predicted that, considering the budget resources' tentative schedule, a cash deficit would start to materialize in May 1995, and it did. The Treasury now has predicted that, if resources are not obtained from the Treasury bonds mentioned here, the flow of payments would be seriously affected by lack of money to meet all cash and budget obligations.

Financial Considerations

The Treasury bonds have been issued in the framework of the 1995 Financing Plan that the Executive drafted to meet outstanding obligations, in particular to make up for the delay in payments caused by the already mentioned 412.074 billion bolivares Treasury deficit. In addition, the issuance contemplates the use of approximately 46 billion bolivares to make overdue foreign debt payments, an action that would help the country recover its credit image abroad, contribute to deplete national resources in local currency, and reduce inflation pressures by a similar extent. This inflation pressure reduction more than offsets the inflation effect caused by the interest that these Treasury bonds would earn this year.

Furthermore, although the Venezuelan financial market's excessive liquidity creates inflation pressure, it is the country's only source of resources. This excessive liquidity is precisely what will make it possible to obtain financial resources under highly competitive terms without detriment to the financial sector in general, for which very few investment options exist. Interest rates in the Venezuelan financial market plummeted dramatically in the last 12 months in response to the already mentioned excessive circulating currency.

The most recent placement of Treasury and Deposit Guarantee and Banking Protection Fund certificates with no less attractive terms allow the anticipation of the successful placement of the proposed instruments. The placement profile of the bonds referred to has been drafted, taking into consideration the Treasury's true

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needs and the maturity of the Treasury bonds already in circulation.

Final Comment

The report on the Treasury bonds remarked that the proposed issuance does not completely offset the Treasury accounts imbalance which, as it has been mentioned, amounts approximately to 412.074 billion bolivares. Of these, only 233.733 billion bolivares, already authorized by the "Umbrella Law," could be financed through Treasury bonds.

The remaining 178.341 billion bolivares deficit must be financed through budget cuts proposed by the executive, cuts that are already being fully implemented.

Despite this, it is indispensable to immediately have available the authorized money to cover the 233.733 billion bolivares deficit, reactivate the country's productive system, and make several overdue payments.

Report Examines Banks' Liquidity Indexes

PA0406022495 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 2 Jun 95 p 7

[Report by Narvin Delgado]

[FBIS Translated Text] If we managed to restrict the estimate of the commercial banks' liquidity index and the sector's available funds to meet any money demand by depositors, taking into account just relations among the deposits the sector made in the Central Bank of Venezuela (BCV) and the people's demands, only 21 banks, as of April, would exceed the market's liquidity index mean of barely 17.86 percent.

The type of "acid test" the REPORTE DIARIO DE LA ECONOMIA analysis unit performed shows that, although the banking sector's liquidity levels have improved, it is also true that these levels continue to be insufficient, given a situation like that in Venezuela (a recent financial crisis and the lack of coherent economic policies).

Likewise, although it must be recognized that, in the unexpected situation in which depositors would make massive money withdrawals, a large amount of the banking institutions of the financial system are in a condition to respond to their clients, that does not necessarily mean that all entities have already overcome their solvency problems. However, this situation will be the subject of another analysis.

Before we proceed with the study, it is worth stressing that the liquidity of a financial institution shows the capacity to cover all demands on sight — understanding that demands on sight are savings on sight, commitments with creditor banks, and other liabilities on sight — with available funds (in local and foreign currency and in securities guaranteed by the nation and issued by the BCV).

In another less rigid scenario than the one previously explained for the estimate of the liquidity index, the financial analysts took into account the possibility of banks using their total available funds to muffle any deposit withdrawal. In this regard, the results show that the sector's liquidity would be 82.58 percent. Now, this level could be considered adequate in an economy under normal conditions. However, given such an economic reality as the current one, we could say that this level seems insufficient.

It is interesting to emphasize that in light of the high financial sensibility and susceptibility experienced since 1994, banks should have a liquidity index larger than 100 percent at a minimum. However, without wanting to generalize — better yet, without wanting to gauge all institutions with the same stick — we could say that 26 of 37 financial entities have an adequate liquidity; that is, liquidity larger than 100 percent.

It is so much so that we could even state that the sector has experienced excess liquidity levels — understanding that excess liquidity constitutes the additional liquidity that is left once the legal cash reserve (a banks' obligation) is covered and that lets them meet any withdrawal demands by the people and cover the clearinghouses and operations in the interbanking market.

To this end, we observe that the excess liquidity level reached 66.46 percent in April, which could be perceived as "good" because of the low impact of the legal cash reserve, which is 12 percent. However, even though analysts believe the additional liquidity constitutes an acceptable level, they also believe that the banks are in no conditions to bear an increase in the legal cash reserve, because it would constitute a burden on financial intermediation, which, obviously, would have an impact on interest rates.

A Bite at Liquidity

In a third scenario, the analysis unit was again rigid in the estimate of the liquidity index, suppressing those funds concerning the holding of local and foreign currency from the banks' available funds. The unit considered only those securities guaranteed by the nation and issued by the BCV.

In this scenario, it is evident that the liquidity index would drop to 49.85 percent. This reason is why only 18 of 37 banks would have an index exceeding the market's demands, while the remaining 19 banks would be adversely affected.

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COMMERCIAL BANK SECTOR LIQUIDITY INDEXES (All figures in percentages)

LIQUIDITY INDEX

	TOTAL	MINIMUM	EXCEEDING	RESTRICTED	ACID TEST
Lara	261.45	35.91	225.54	207.05	35.03
Tequendama	283.11	12.21	270.88	181.00	77.04
Noroco	226.65	21.84	198.81	181.11	25.10
Brasil	223.01	23.53	199.48	152.49	27.18
Industrial de Venezuela	115.01	15.57	99.45	92.28	17.25
Plaza	115.30	16.33	98.98	88.26	18.15
Caroni	118.91	15.28	103.63	86.33	26.86
Occidente	100.51	15.49	85.01	78.90	15.41
Exterior	95.55	15.29	80.26	69.91	17.56
Citibank	91.92	11.85	80.07	65.82	19.77
Capital	124.31	18.05	106.26	64.46	6.41
Empresarial	127.03	30.05	96.98	62.70	39.36
Sofitasa	86.99	14.75	72.24	60.63	13.80
Provincial	91.85	14.86	76.99	56.95	18.89
Orinoco	104.38	20.50	83.88	56.29	27.35
Caracas	81.30	13.64	67.66	56.29	15.17
Caribe	87.56	15.23	72.32	55.13	14.92
Venezolano de Credito	75.57	11.53	64.04	53.93	12.55
Ganadero	185.04	11.89	173.15	48.67	29.16
Mercantil	91.93	16.73	75.19	47.39	27.37
Banfoandes	90.38	13.15	77.24	44.65	23.93
Banesco	78.42	13.42	65.00	43.76	15.63
Canarias de Venezuela	68.06	14.98	53.08	41.37	16.25
Venezuela	70.73	13.20	57.52	39.49	13.65
Guayana	75.13	12.07	63.06	36.90	24.60
Extebandes	87.76	13.11	74.65	34.59	34.86
Banfocoro	83.42	10.58	72.84	32.84	22.80
Confederado	86.87	14.28	72.59	30.75	13.09
Consolidado	49.19	24.20	24.99	29.59	7.56
Monagas	135.18	16.03	119.15	29.35	20.05
Latino	47.97	22.17	25.80	26.08	12.57
Internacional	63.62	17.93	45.68	25.96	22.52

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LIQUIDITY INDEX					
Occidental de Descuento	55.96	15.59	40.37	16.35	19.89
IMCP	207.78	21.30	186.48	12.00	1.92
Union	33.60	13.19	20.40	3.87	12.91
Federal	32.83	21.23	11.60	0.23	26.39
Ing Bank	221.27	10.88	210.39	0.00	202.43
Sector Total	82.58	16.12	66.46	49.85	17.86
Market Total	84.17	16.64	67.52	46.51	17.92

Source: Publication Balances and Analysis Unit.

Roundup of Venezuelan Economic Developments

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[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 5 June.

According to data from the Central Statistics and Data Processing Office (OCEI) and the Promexport Foreign Trade Intelligence System (Sicexp), nontraditional exports totaled $1.148 billion in the first quarter of the year — a 34.74 percent increase over the same period a year earlier. Venezuela's top clients in order of importance were Colombia, the United States, Japan, Ecuador, the Netherlands, and Mexico. According to the Sicexp, Venezuela showed a positive balance in its trade with Colombia in the first quarter. (Caracas REPORTE DE LA ECONOMIA in Spanish 30 May 95 p 14)

According to Gustavo Rivera Portillo, coordinator of the Exchange Administration Technical Office (OTAC), the creation of a new system overseen by the Finance Ministry will make accounting procedures for the private foreign debt more expeditious and efficient. Portillo said the country's private foreign debt totals $6.3 billion. (Caracas ECONOMIA HOY (FINANZAS Supplement) in Spanish 30 May 95 p 8)

Health and Social Welfare Minister Carlos Walter and officials from the Inter-American Development Bank have signed a $150 million loan agreement to help modernize the Health Ministry. The agreement marks the first time the international organization has approved funds to cover labor costs. According to Walter, the total cost of the program will be about $300 million, which will be used for the strengthening and modernization of the health sector in Venezuela. (Caracas ECONOMIA HOY in Spanish 31 May 95 p 3)

Venezuelan Petroleum Inc. (PDVSA) is currently investing $4 billion annually. The investments are being made in the areas of oil exploration, upgrading refineries, and promoting the domestic market, which should lead to an increase in production to about 3.5 million barrels per day, according to the PDVSA's Strategic Planning Manager Leo Figarella. (Caracas EL UNIVERSAL in Spanish 31 May 95 p 2-18)

The Conoco and Maraven oil companies have signed a 35-year strategic association contract for the exploitation of heavy crude in the Orinoco belt. The final document will be signed in September when Maraven and the third largest oil company in the world form the new company. (Caracas Venezolana de Television Network in Spanish 0200 GMT 1 Jun 95)

Exports from Lagoven Inc. have hit 200,000 barrels of crude oil per day. This is a record figure for Lagoven, which has steadily increased the marketing of petroleum abroad. The best markets for Lagoven crude oil are the United States and the Caribbean. (Caracas ECONOMIA HOY in Spanish 2 Jun 95 p 11)

Carlos Sequeira Yepes, recently named president of the Israeli- Venezuelan Economy Chamber, has announced that Israeli businessmen have met with members of PDVSA's Board of Directors to talk about a possible joint venture to produce coal at Guasare Mines in Zulia State. He added that Venezuelan oil, petrochemical, and iron and steel exports to Israel could reach $500 million by the end of the year. (Caracas EL UNIVERSAL in Spanish 2 Jun 95 p 2-4)

The Board of Directors of the Central Bank of Venezuela (BCV) has approved regulations allowing the export of 60 percent of the country's production of gold and its alloys. Until now, the export of Venezuelan gold had been prohibited by law. (Caracas EL GLOBO (ECONOMIA Supplement) in Spanish 31 May 95 p E-3)

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Unemployment reached 11.4 percent in the first quarter of the year, up 3.6 percent over the fourth quarter of 1994, according to a survey conducted by the OCEI. (Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 1 Jun 95 p 2)

The country's inflation rate reached 4.9 percent in May, according to BCV data on the Consumer Price Index. Overall inflation for the January-May period hit 18.9 percent. (Caracas EL GLOBO in Spanish 2 Jun 95 p 1)

Congress has approved additional loans for 2,954,355,000 bolivares for the Environment and Defense Ministries and the Supreme Electoral Council. Most of the funds — 2,543,550,000 bolivares — will go to the Environment Ministry to pay debts with contractors for the implementation of the Central Region System Project and the Pao River Basin Conservation Program, which is now in its final phase. (Caracas EL NACIONAL in Spanish 2 Jun 95 p D-2)

According to a 2 June, Caracas-datelined report, Economic Support Minister Raul Matos Azocar has admitted that Venezuela's budget for 1995 has a deficit of $4.2294 billion. Azocar said the deficit, the equivalent of two-thirds of the budget, is primarily due to a $1.144 billion decline in contributions made by the PDVSA. (Paris AFP in Spanish 2244 GMT 2 Jun 95)

According to a 2 June, Caracas-datelined report, a total of 21 million people (78 percent of the population in Venezuela) live in conditions of relative or extreme poverty, according to figures from the Growth and Development of the Venezuelan Population Research Center Foundation. The price of the family basket for a family of five is $226.83, which is 2.5 times higher than the minimum wage, $88.23, according to the same source. (Paris AFP in Spanish 2337 GMT 2 Jun 95)

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